

CHAPTER ONE

Tourism Services Marketing in Nepal

Introduction

1. 1 Background of the Study

Tourism has been considered as fundamental instrument for the economic development of the country. It should be the main reason that many governments of developing or developed countries are involved in design, development and operation of the tourism industry. In the context of Nepal, it is also regarded as one of the important sources of foreign exchange earning of the country, besides this it has a significant impact on the social and physical structure of the country. Here the researcher has tried to describe a brief introduction of the country's geographic locations, economic activities, natural resources, population, culture and history.

1.1.1. Geographic Location

The Himalayan country of Nepal covers an area of 147,181 square kilometers, and stretches 145-241 kilometers from north to south and 850 kilometers from west to east. The country is located between India in the South and China in the North, at latitudes 26° and 30° North and longitudes 80° and 88° East. Nepal is topographically divided into three regions: The Himalayas to the

north, the Hills consisting of the Mahabharat range and the Churia hills and the Terai to the south. Elevations are varied in the kingdom. The highest point is Mt. Everest (8848 m) in the north and the lowest point (70 meters above sea level) is located at Kechana Kalan of Jhapa district. Altitude increases as we travel from south to north. The north temperatures are below -40° Celsius and in the Terai, temperatures rise to 40° Celsius in the summer. During June, July and August, the kingdom is influenced by monsoon clouds (NTB, Destination Nepal, 2002/03:13).

1.1.2. Climate

Nepal has a variety of climates due to substantial topographical variations, ranging from tropical to alpine climate which exist in the country. Generally, tropical climate exists in the area up to an altitude of 1000 meters, in the mountain region between 1000 m to 2500 m, sub-tropical climate prevails with a cool temperate climate in the zone 2500-4000m, region and above that the arctic climate prevails. Nepal experiences four climatic seasons, spring (March -May), summer (June-August), autumn (September-November) and winter (December-February). Heavy rainfall occurs during the monsoon season from June to September and the average rainfall in the country is about 1500 mm per annum (Bajracharya, 1992:1). The Kathmandu valley receives around 1300 mm of annual rainfall with a heavy concentration from June to August (MOI, 1992:7).

According to EU (1988), summers are very hot in the Terai and dun, with temperature often exceeding 38°C , while winters are considerably cooler with the temperature down to 10°C . whereas, in the highlands above 4000 m, there is a distinct alpine climate, with short summer, severe and dry winter with high snow falls, low temperature and strong winds. In general, the rainfall

(monsoon season) is highest in the east and along the southern slopes of the Himalayas and lowest in the west and almost absent in the extreme north.

1.1.3. Flora and Fauna

Nepal is rich in different types of landscapes caused by the abundance of flora and fauna. In the low lands of the south grow bamboo, Sal trees and all sorts of jungle plants including brightly colored orchids. In medium altitudes, one encounters lush meadows, rhododendron plants, pine and cedar forests and, growing above them, a major part of the alpine flora. The jungles of the Terai are the habitat of snakes and birds. In the medium heights live the deer, the monkey, the antelope and the bear, The Himalayan goat and wild Yak, has become a rare species today (Ahluwalia and Gerner, 1985).

Nepal's four wild life reserves are situated in Terai lowland in the south of the country. The most famous of these is the Royal Chitwan National Park, once a big game hunting area and covering an area of 900 square kilometers. Now it has become home to Asian one horned rhinoceroses, Royal Bengal Tigers, Leopards, Sloth Bears and Gaurs (wild bison) and more than 400 species of birds. Three other parks, Koshi Tappu, Royal Bardia and Sukla Phanta also teem with game and bird life. The Himalayas are home to a variety of fauna and flora that survive at high altitude, such as the Snow Leopard, the Wolf, Bear and Lynx (Singh, 1991b). Similarly, other national parks i.e. Sagarmatha National Park, Makalu-Barun national Park and Conversation Area, Annapurna Conservation Area Project, and Shivapuri National Parks etc encounter different species of wildlife, forest and grassland (NTTR, 1994).

1.1.4. Income

Nepal is a developing country with a per capita income of US \$ 383 (NRB, 2007). At present, the country's efforts to expand into manufacturing industries and other technological sectors have achieved much progress. Farming is the main economic activity followed by manufacturing, trade and tourism. The main sources of foreign currency earnings are merchandise export, service, tourism and Gurkhas remittances. The real GDP at factor cost represented Rs.486842 million, agriculture represented Rs. 183001 million and non agriculture constituted Rs. 323753 million in 2008 (Nepal Rastra Bank, 2008).

1.1.5. Agriculture

Nepal is predominantly, an agricultural country with beautiful agricultural landscape, agro-ecosystems and wide variety of crops and animals (Dangol, 2008). Farming is still highly labour-intensive (Shrestha, 2005:48). The agriculture sector absorbs more than 80 per cent of the total labour force of the country. However, the agricultural sector contributes only 55 per cent on gross domestic product and 50 per cent on the total export. It has received the top priority in every periodical plan and has enjoyed the large amount of budget allocations over the years. Similarly, the manufacturing sector is also providing employment to 10 per cent of the population and contributing about 20 per cent in the gross domestic product. Many efforts are directed for the development of the industrial sectors with priority and resources but the achievement has been embarrassing over the year (Gautam, 2006:7).

1.1.6. Development Regions

Nepal is divided into five development regions, fourteen zones, and seventy-five districts. Each zone consists of four to eight districts. Sixteen districts lie in the Himalayan region, thirty-nine of them lie in the Hilly region and the remaining twenty of them lie in the Terai region. The lowest local level administrative unit is the Village Development Committee (VDC). There are 3996 VDCs in the country (NTB- Destination Nepal Campaign 2002-3:14).

1.1.7. People and Culture

According to the population census 2001, Nepal has 23.2 million people and is increasing at the rate of 2.05% annually. Both male and female occupy equal status in size. About 90% of the total population lives in the rural area. Though the Nepalese market is characterized by the rural market, the marketing activities are heavily concentrated in the urban area due to the difficult topography of the country. The process of urbanization is increasing rapidly. Since all the marketing opportunities have been concentrated in the urban area, the migration rate from the hills to the Terai and city areas has been increasing every year.

1.1.8. Language and Caste System

Nepal is a cultural transition zone between two great cultures of the world, the Chinese and Buddhist culture in the north and Indian Hindu culture in the south. However, Nepal has been able to develop its own distinct culture. Nepal is famous in the world as the land of yak and yeti, the birth place of Sita, the consort of Lord Rama, who is the hero of the Hindu epic Ramayan. It is also the birth place of Shakyamuni Gautam Buddha who gave the world an enduring philosophy of peace, tolerance, and compassion of both Hindus and

the Buddhist. Nepal is a pluralistic society with diverse ethnic groups, caste, linguistic and religious communities. She has about 60 recorded castes and ethnic groups (mostly Indo-Aryan and Mongol) and 70 languages and dialects (mostly Indo-Aryan and Tibeto-Burman). There are many indigenous ethnic *Janajaties* and scheduled caste *Dalits* groups who have been historically disadvantaged (The Tenth Plan – Poverty Reduction Strategy Paper -2002-07)

In Nepal, the National language is the mother tongue of the majority of the people though many other linguistic groups exist like Maithili, Bhojpuri, Newari, Rai, Kirati, Magars, etc. Ethnically, the largest groups are Chettries, Brahmins, Magar, Tharus, Newars, Tamangs and so on. In terms of religion, Hinduism is predominant followed by Buddhism, and Islam.

Cultural forces are very powerful in Nepal. Most of the Nepalese people have the tendency to spend more money during the period of colorful festivals like Vijaya Dashami, Deepawali, New Years and many other local festivals (Shrestha, 2005:48).

1.1.9. Festivals

The country offers a number of annual festivals that are celebrated throughout the year in traditional style highlighting various beliefs (Nepal Guide Book: 2002). Nepal is also called the country of non-stop festivals, because festivals are a prominent aspect of Nepalese life, in which all participate enthusiastically. Almost every week, people celebrate a festival on a local basis or national level in different parts of the country. The religious rites and rituals, art, literature, customs, life styles, festivals, food habits, clothing, dance, music and folklore are also an integral part of Nepal's cultural heritage.

The cult of Kumari- the living goddess, the brave Gurkhas, the Sherpas also known as “snow leopards” are the living heritage of Nepal (Shrestha, 2000).

UNESCO world Heritage Sites in Nepal- in 1972- United Nations Educational Scientific and Cultural Organization passed a convention to protect natural and man-made heritage of the world. Nepal became the member of the convention in 1978 and in 1979; seven monuments of Kathmandu Valley were inscribed upon the World Heritage List under the terms of the UNESCO convention concerning the protection of the World Cultural and Natural Heritage. Kathmandu Valley alone has seven such man-made cultural wonders within a 20 Kilometer radius.

1.1.10. History

For centuries the kingdom of Nepal was divided into many principalities. The Kirats ruled in the east, the Newars in the Kathmandu Valley, while Gurungs and Magars occupied the mid-west. The Kirats ruled from 300 BC and during their reign, Emperor Ashoka arrived from India to build a pillar at Lumbini in memory of Lord Buddha. The Kirats were followed by the Lichhavis whose descendants today are believed to be the Newars of the Kathmandu Valley. During this period, art thrived in Nepal and many of the beautiful woodcarvings and sculptures that are found in the country belong to this era.

With the end of the Lichhavi dynasty, Malla kings came to power in 1200 AD and they also contributed tremendously to Nepal’s art and culture. However, after almost 600 years of rule, the kings were not united among themselves and during the late 18th century, Prithvi Narayan Shah, King of Gorkha,

conquered Kathmandu and united Nepal into one kingdom. Recognizing the threat of the British Raj in India, he dismissed European missionaries from the country, and Nepal remained in isolation.

During the mid 19th century Jung Bahadur Rana became Nepal's first prime minister to wield absolute power. He set up an oligarchy and the Shah Kings remained as figure heads. The Ranas were overthrown in the democratic movement of the early 1950s. After the Partyless Panchyat System, there was a multiparty democratic system with a constitutional Monarch.

Previously, Nepal was recognized as the country of peace, but at the present time it has been converted into a politically disturbed country. Especially, the political problem has affected the permanency of the government, which has had an adverse effect on the country's business and economic performance.

Frequent changes in government and national policies and laws have posed a great challenge not only to production and business sectors, but also to the foreign investment and tourism sector (Shrestha, 2005:48).

Nepal has a comparative advantage in the development of tourism because of its natural topography such as mountains, rich valleys, lovely landscapes, rich cultural heritage and so on.

With the vast potential for tourism, many countries around the world have enlisted it as a major destination. The "Observer" and the "Guardians," famous British publications, had rightly described Nepal as a second tourist state after New Zealand in the world tourism perspective.

It has been revealed that tourism includes several forms of directly and indirectly productive activities (Curry and Morvari, 1992) especially in the developing nations, where the possibilities of exporting manufactured goods are in limited state. Moreover, it has been considered to be an attractive way to generate scarce foreign exchange, creating jobs for semi-skilled and skilled labours, developing and promoting their arts and handicrafts providing ample opportunities for export promotion of these commodities (Richter and Richter, 1985, Cater, 1987, Inskip, 1991, Sinclair, 1992).

Tourism industry has been considered as a major industry in the Nepalese economy with the prospect of earning foreign currency, employment generation, promotion of art and culture, conservation of heritage, promotion of cottage and small industry, increment in per capita income and transfer of knowledge and awareness etc., the importance of tourism is overwhelming. The present status of tourism industry shows a slowdown tendency, though it was remarkably important in the Nepalese economy. With the recession in the world economy, the Nepalese economy is also facing some recessionary symptoms. The Maoist insurgency inside the country during the last 10 years and its consequences in the law and order situation has had an adverse impact in the tourism industry, and the rate of tourist arrival had also sharply declined till 2005. However, since 2006 there has been some improvement in tourism. Nepal, with the end of a decade long armed conflict, is passing the state of transformation. The nation is in the quest of entire socio-economic and political changes. The entry of CPN-Maoist into main stream politics after CPA on 23rd November 2006, formation of seven parties 'interim government' on 19th April 2007, successful holding of CA poll on 10th April 2008, are major milestones on the path of the peace process and transformation of the nation. Beside this, the drafting of the new constitution by the CA and the

holding of the general election thereafter are other upcoming major tasks for the structural changes of the nation (Uapdhaya, 2008:24).

With the onset of the positive message about the country, it is in fact a golden opportunity for the Nepalese tourism industry to work towards reviving its image in the international tourism market.

Despite regional and international volatility, there was a positive growth of convertible foreign exchange earning US\$ 351.9 million in 2008 but in the case of tourist arrival it reached 500277 representing decrease of 5.00 per cent compared to the previous year (Shrestha, 2008:27). The global financial crisis had already started hurting tourism. So, the year 2009 is a high time to identify and introduce new tourism products along with bigger investments and support from the government. Besides this, to re-energize the tourism sector, the government has decided to celebrate Nepal Tourism Year-2011 (NTY-2011), a national campaign. The campaign aims at increasing the number of tourist arrival to at least one million (Karki, 2008:27).

1. 2 Rationale of the study

Tourism, also known as a smokeless industry, is one of the fastest growing sectors in the world. It is learnt that various terrestrial and aquatic ecosystems, including socio-cultural heritage, are opening up for tourist use in order to earn more foreign exchange through a sustainable use of these resources. This sector has been understood as a vehicle of foreign exchange earning, intensive labour generator, consumer of farm food products and promoter of ancillary industries and handicraft.

Tourism has also been counted as the largest industry in the world contributing to its economic developments. It has helped the country's economy in various ways. It is a service industry and can have a significant effect on those countries with surplus labour. Most sectors of tourism industry are labour intensive and require relatively short training for most of the jobs. It is supported by hotels, airlines, travel and tours and handicrafts. The benefits of tourism in the economy of the host country is measured mainly in terms of foreign exchange receipts from tourists and its multiplier effect on different activities, contribution to the national income, employment and balance of payments.

Nepal abounds in unique natural beauty, geographical diversity, the magnificent Himalayas, diverse landscapes and a plethora of flora and fauna. In addition, it is rich in cultural diversity of several religious and ethnic groups, who have lived together in harmony for many centuries. Temples and stupas constitute an important part of the country and people. Kathmandu is appropriately known as the city of temples and monasteries (Dharel, 2005:40).

Tourism is the largest single item in the world's foreign trade. The income earned in the form of sale of tourism product and services may be valuable resources for the balance of payment of the country.

Tourism has become an important factor to the Nepalese economy (Shackley, 1994). The number of visitors staying overnights has practically increased from zero at an extraordinary speed during the past 35 years (Richer, 1989). It is especially so for Nepal. Tourism is not the choice but an economic compulsion since we do not have any other alternative (Shrestha, 2006:18)

Tourism has become one of Nepal's most important source of foreign exchange. It appears to possess higher comparative advantages in view of its being one of the important industries earning foreign currency without causing any adverse effect on the environment and also being endowed with the opportunity of using the existing geographical and cultural heritage. It has also been realized that tourism can play a significant role in the development of rural and mountainous areas of Nepal. Similarly, the nature based activities has emerged as a popular tourist product since 1960s. Nature tourism has been found to be significant in improving the economic conditions of the rural development through income and employment generation in the remote areas where alternative economic activities are virtually non-existent (Basnet, 2006).

Tourism and travel related services accounted to 11% of the world GDP and employed 200 million people worldwide (UNESCO, courier, 1997). In Nepal, tourism generates about 1.5 million direct and indirect employment (Dhakal, 2003) and it creates opportunities ranging from small to large scale industries like hotels, airlines, travel, and trekking agencies (Sherpa, 2007:29).

The tourism industry, unlike some other industries, is critical enough to be affected and often damaged by a change in the weather/season, occurrence of incidents and even by rumour or propaganda and on the other we can't afford to have gold rush in an area which is both environmentally and socially vulnerable (Shakya:2008).

Tourism is a vital sector of the Nepalese economy as it contributes to correct the adverse trade balance. The earning from tourism as percentage of GDP is accounted to 1.5 % in FY 2005/06 and 1.4% in FY 2006/07 (Economic Survey, 2007/08). Though the contribution is negligible in comparison to other

countries, there is still enough possibility to increase it considering the huge prospects. In view of the significant role of the tourism industry, its proper development is indispensable. Various efforts have been made for the development of tourism in Nepal. The new tourism brands “Naturally Nepal Once is not enough” was also launched in 2005 which was also regarded as an effort in order to develop and enhance the image of Nepal in the world tourism market. Similarly, a special sub-brand campaign called “Visit Pokhara Year 2006/07” had been launched to strengthen tourism at the end of the year 2006. Besides this, many studies on tourism have been carried out by various agencies before. The tourism master plan (1972), Review of Master Plan (1984), Nepal Tourism Development Program (1990), Second Infrastructure Development Project (1995) and Tourism Sector Development Project (1997) carried out by Asian Development Bank are the major studies on tourism. However, these studies do not seem enough to address marketing issues adequately.

In Nepal, the knowledge of tourism service marketing is very useful, especially for earning foreign exchange currency from airlines, hotels and travel and trekking agencies. This study may also be useful to increase the income through customer care, employee satisfaction and offering of quality product or services. In the present situation, the study of tourism service marketing is important to meet the standard and expectation of a growing awareness of the customer’s perception and expectation and their measurement of satisfaction. There is no doubt that it will provide a broad knowledge about tourism services, which will prove to be a valuable guide for the development of tourism in Nepal. It is also beneficial to the government to make plan and policies and implement rules and regulations for the

development of tourism. Similarly, for the researcher, it will be a base for further study in the field of tourism services.

1. 3 Statement of the Problem

Nepal has a large number of snow peaks like Annapurna, Dhaulagiri, Machhapuchhre, Ganesh Himal, Mount Everest and numerous other peaks offering immense attractions, cultural values and archaeological beauties and are the main attractions to the tourists of Nepal. However, the potentiality so far does not seem to have been exploited properly. Though various studies have been conducted highlighting the various aspects of tourism but these studies have not seemed to address the current problem of tourism. The main purpose of this study is to increase the attraction of international visitors to Nepal through the offering of quality tourism products and services and making them more satisfied. However, there are many problems hindering the development of the tourism. Therefore, efforts have been made to find out the major problems faced by the Nepalese tourism industry.

In Nepal though tourist traveling by land transport has increased significantly for the last few years however, most of the tourists come to Nepal by air transport. As we have noticed, tourism in Nepal appears to have developed along with the airline services. Civil aviation has a crucial role to play in the tourism development. Airline business is highly competitive in the world market. However, the aviation system of our country is very poor in terms of quality of services and physical facilities. Nepal Airlines Corporation is regarded as the oldest airlines corporation of Nepal. Nevertheless, owing to the limited financial resources as well as inefficient managerial capacity, it does not have sufficient number of aircrafts with huge bodies. Similarly, due

to the limited number of international operations, lack of direct link with tourist generating countries of the world and limited participation of private airlines in the international operation, the international tourists have to travel to Nepal transiting through different countries. This has created a greater problem to the international tourists as they have to bear more cost and time for the trip to Nepal.

Nepal's tourism potential is vast but factors such as limited air access, poor infrastructure and lack of appropriate marketing strategy have resulted in limited growth. Certain key projects are vitally necessary for the development of tourism, as for example, Tribhuvan International Airport (TIA) is the only international airport in Nepal and the entry point to this abode of Himalayas.

Airline parking bay is also inadequate, keeping in mind the increased frequency of flights in the TIA. The landing, parking, navigation and ground handling fees in Nepal are very expensive compared to other countries which are deterrent factors for international airline operators, and that is why, many international airlines have pulled out their services from Nepal. The landing fee is said to be very expensive in terms of the facilities offered at TIA. These kinds of expenses discourage other airlines. Another existing problem is the inefficient and monopolized ground handling services. Except for Indian Airlines and Thai Airways, other airlines have no choice other than to use NAC's ground handling provided to them (Singh, 2007:31).

Passengers are also not satisfied with its services and sometimes they complain about the baggage delivery system at TIA, which takes a long time. As per the rule, the baggage should reach the baggage belt within 15 minutes after the aircraft's landing, but it always takes a longer time at the airport. The

open area of baggage delivery and the manual system that is still followed also gives more chance for pilferage which is a growing problem at the airport. Road transport is also equally important for the development of tourism. However, there is no sufficient road network in different tourist areas and trekking routes.

Pleasure or recreational tourism is predominant in Nepal. According to Nepal Tourism Statistics (2007) about 41.4 per cent of tourists, who visited Nepal represented for pleasure. But the means of recreation are not adequate for such type of visitors. Basically, tourism products like temples, idols, cultural and religious sites are the pillars for the development of tourism, but on the other hand their conditions are found to be improperly conserved and maintained. However, for the sustainable development of this industry, it is better to give them due emphasis for its maintenance and preservation from the side of the government as well as the local people.

Lack of good quality hotels are also one of the problems for the development of tourism. In respect to service infrastructure, its number has substantially increased in terms of volume, but their quality of services are not satisfactory. It is also known that most of the star hotels are centrally located, while non-star categories are providing services in other destination of Nepal. This is especially found in the mountain regions and some trekking trails, where there is no provision of good accommodation, good house-keeping as well as hygienic food and drink. As a result, during traveling tourists are compelled to have a rest in dirty rooms with dirty floors, shabby bed sheets, broken window panes, unhooked curtains, dirty toilets and poor room service, which may create a great inconvenience to them (Gurung, 2006).

Pollution has become a very big problem in Nepal. The degrading conditions of environment is said to be one of the most serious problems faced by Nepalese tourism. We need to focus on environmental issues especially pollution in big cities like Kathmandu valley, trekking routes and touristic places. Sometimes, solid wastes are seen scattered and garbages are not collected in time. This has made the life of the city dwellers and tourists miserable. Similarly, the establishment of different kinds of industries like garment, pashmina and furniture in the crowded cities has further created noise, air and water pollution in Nepal. The street dogs and beggars are also seen as a big problem in the development of tourism business in Nepal.

Nepal has not been able to make adequate efforts to promote tourism. This is a major factor that Nepal is not being able to attain up to the expected level. The tourism policies and strategies are being pursued up to now by Nepal seem to give only limited attention towards tourism marketing.

Similarly, tourist safety has appeared as the number one concern for tourism development. Assured safety in terms of crime, theft, murder, terrorism, harassment, health, hygiene and sanitation are the major problems for the development of tourism. Besides this, though Nepal is a peaceful country, the unstable political situation, has been creating an obstacle, as travelers and tourists think it is not the right time to visit Nepal as they do not want to take any risk while traveling (Rayamajhi, 2008:39).

Fuel crisis has also been regarded as one of the problem seen in the tourism industry. The tourists have to pay higher prices for traveling around the city due to high taxi fare and high car rental charges. It is not only fuel but load

shedding has also caused problems for the industry like hotels, garments and handicrafts (Singh, 2007:15).

In view of the problem discussed above, this study has examined the following research questions are as follows:

1. How tourism service marketing has evolved and developed in Nepal?
2. What is the status of tourism products and the tourism service infrastructure in the country?
3. What are the strengths and weaknesses of Nepal's tourism products and services?
4. What is the impact of tourism sector on the national economy of Nepal?
5. How do tourists perceive the quality of tourism services in Nepal?

1. 4 Objectives of the Study

The basic objective of this study was to examine into the status of tourism service marketing in Nepal. The specific objectives of the study were as follows:

1. To examine the development of tourism service marketing in Nepal.
2. To evaluate the status of tourism products and the tourism infrastructure in the country.
3. To assess the nature, strength and weaknesses of Nepal's tourism products and services.
4. To assess the impact of tourism on the national economy of Nepal.
5. To evaluate the customer's satisfaction, and the quality of tourism services in Nepal.

1. 5 Research Methodology

1.5.1. Research Design

Descriptive as well as survey research design were followed for undertaking the study. All the available information regarding tourism services were collected from different sources. Opinions were also collected through the appropriate design of questionnaires and interviews were conducted to have access on the conditions of present tourism products, services, and infrastructure development of tourism as well as its weaknesses and prospects.

As the objective of this research is to portray the characteristics and role of tourism service organizations and to determine the perception of tourist regarding customer satisfaction and quality of services, descriptive research was employed.

1.5.2. Nature and Sources of Data

In the present study, both primary as well as secondary data were used and different techniques were followed for the collection of the necessary information. In order to collect the primary data, the respondents were categorized into three different groups. The first group comprised of tourists visiting Nepal during the period of 2006 through different mode of transport, the second category comprised of tourism entrepreneurs engaged in different tourism service organizations, such as accommodation, travel, trekking and rafting, and airline services of Nepal. The third group comprised of the tourism experts who were concerned directly and indirectly with the tourism sector. They were policy makers from the government, businessmen (hotels, travel, trekking, rafting and airlines business), and academicians.

1.5.3. Data Collection Procedure

Both qualitative and quantitative data and information were collected. Field visits were conducted from January to December 2006 in various places of Nepal (i.e. Kathmandu, Patan, Pokhara, Chitwan, Birtamod and Bhairahawa). The researcher had prepared three different sets of questionnaires to collect the opinions from different categories of respondents. At the questionnaire preparation stage, both closed and open ended format were framed to address the tourists, tourism organization and the experts. In order to learn the in-depth perception of tourist, tourism organizations and experts, the questionnaires for them were designed accordingly.

In order to know the opinion of tourists, they were enquired about the nationality, reasons of choice of Nepal as their destination, preference for mode of transport, selection of accommodation and main sources of information. Similarly, an attempt was made to know their views about the need of new product development, need of product positioning in the international market, major strengths and weaknesses of tourism products and services and infrastructure development in Nepal in the form of closed-ended questionnaire format. Likewise, efforts were made to know the views of tourists regarding the quality of services and facilities provided to them by different tourism organizations and valuable suggestions to improve the quality of tourism services were expected from them.

Similarly, in order to know the views of the businessmen who were engaged in different tourism business organizations such as, hotel business, travel, trekking, rafting and airlines were selected and the second set of questionnaire was distributed. The questionnaire contained some major elements related to tourism i.e. the nature of tourism business, the need of product development

and product positioning in the international market, and major strategies for the development of tourism products. Likewise, an attempt was made to obtain the views regarding the major concentration of marketing efforts and also attention was drawn for the promotion of tourism. As people are one of the major factors of tourism, the relationship of employers with their employee and realization of importance of human resource development were also enquired. In the same way, they were enquired to express their views about the quality of tourism product and service standard, and customer's satisfaction in the form of open and closed-ended questionnaire format.

In the same way, the third set of questionnaire was prepared for the tourism experts. In order to obtain the valuable opinions from tourism experts, the questionnaires were prepared in a concise form. It was also prepared in the open and closed-ended format. The experts were requested to express their opinions regarding the economic importance of tourism, infrastructure development, tourism marketing strategy and product positioning in the international market. They were asked about the responsibility of different sectors for the promotion of tourism and the value of quality of tourism services. They were also requested to express their views regarding the sustainable development of tourism and to provide valuable suggestions.

1.5.4. Pre-testing

The prepared questionnaires were pre-tested with a practical point of view. It was tried on a small scale. This testing on a small scale has been found to be extremely useful in practice. The given questionnaires were improved in the light of drawbacks, shortcomings and problems faced by the researcher in the pre-test.

1.5.5. Sample Size and Sampling Method

1. Tourists

The questionnaires prepared for tourists were collected from the departure lounge of Tribhuvan International Airport, immigration department of TIA and Bhrikutimandap (Kathmandu), and from the office of different star and non-star hotels, travel, trekking, and rafting agencies of Nepal. Altogether 500 questionnaires were distributed to the tourists but only 450 were returned. Of the total returned questionnaires, only 428 were fully completed, among them 308 represented airline passengers, while the 120 were land passengers. Of the 308 airline passengers, 205 were departure visitors and 103 were incoming passengers coming through different airlines. Similarly, of the total (120) land passengers, 70 were incoming visitors and 50 represented outgoing passengers.

Please refer to Annex-J

Table 1.1 Profile of Tourist in – 2006

Tourists	Total Number of Tourist (TNT)	Sample Size	Percentage (%)
No of Tourist	383926	428	0.1114
Tourist Arrival by Air in 2006	283819	308	0.1085
Tourist Arrival by Land in 2006	100107	120	0.119

Source: Nepal Tourism Statistics, 2006 and 2007 (MoCTCA)

2. Tourism Organizations

Regarding the opinion of tourism organizations, information was obtained from the entrepreneurs of various star and non-star hotels, travel agencies, trekking agencies, rafting and airline companies of Nepal. The total number of hotels comprising star and non star were 607 (the population) for the study. Out of this (607), 30 samples were taken through convenience sampling. Similarly, in the case of travel agencies, out of 1026 (population) only 75 were taken as sample followed by 33 from 793 trekking and mountaineering agencies, 7 from 92 rafting agencies and 5 from 13 airlines companies. Altogether, 200 questionnaires were prepared, of which 40 for accommodation (hotels), 85 for travel agencies, 50 for trekking and mountaineering agencies, 15 for rafting and 10 for airline companies were distributed, but only 150, fully completed questionnaires were returned comprising 30 from accommodation (hotels), 75 from travel agencies, 33 from trekking & mountaineering agencies, 7 from rafting agencies and 5 from different airlines operating in Nepal. Please refer to Annex-K

Table 1.2 Profile of Tourism Business Organization

Types of Business	Total Population in 2006	Sample Size	Percentage of Total Population
Accommodation (Hotels)	607	30	4.94
Travel Agencies	1026	75	7.31
Trekking and Mountaineering	793	33	4.16
Rafting Agencies	92	7	7.60
Airlines	13	5	38.46
Total	2561	150	5.86

Source: Nepal Tourism Statistics 2006, MoCTCA

3. Tourism Experts

The third category of respondents consisted of tourism experts who were directly or indirectly involved in the tourism sector. First of all, a list of experts was prepared by contacting various sources viz. NTB, research section, recent research from doctorate scholars, and senior academicians. The questionnaires were designed in open-ended and closed- ended format and on a rating scale. An in-depth interview was conducted with 34 tourism experts including 15 tourism business professionals and experts with knowledge on tourism, 10 academicians, 2 ex-members of planning commission of Nepal, and 7 Government Officers (service holders of different ministries). Of the total 50 questionnaires distributed, only 40 were returned of which 34 were fully completed. Please refer to Annex-L

1.5.6. Secondary Sources of Data

Most of the secondary data employed in this study were obtained from various government offices, semi government and private offices. Basically the secondary data were collected from various issues of Economic Survey, Budget Speech of different years of Ministry of Finance- (Government of Nepal), Year Book of Tourism Statistics 2006 MOCTCA of various years, Quarterly Economic Bulletin (Nepal Rastra Bank) of different volumes, and National Account prepared by (Central Bureau of Statistics)-, Survey of Hotel Industry 2003/04 from CBS, Government of Nepal. Similarly, secondary data employed in this study were also obtained from -Annual Operation Plan of different years of Nepal Tourism Board, Articles from Nepal Travel Trade Reporter, Articles and other Publications from different official records, World Tourism Organization, 2007, PATA-Annual Statistical Report 2005/06

and 2006/07, WTO-Tourism Highlights from various years and World Tourism Barometer 2007.

Apart from this, the secondary data were collected from various unpublished sources. This comprised of the researches carried out by individual research scholars from various universities of Nepal, and other countries. This included Anand's (1976) doctoral work an Empirical study, Berger's (1978) doctoral study on Nepalese Tourism, Ramamurthi's (1985) doctoral research – Marketing Management of Hotel Industry in India, Khadka's (1993) doctoral work –Outcome of Tourism development in Nepal, Tuladhar's (1993) – doctoral work- Development of International Tourism in the kingdom of Nepal, Pradhananga's (1993)- doctoral work- Changing Pattern of Tourists Consumption, Shrestha Hari Prashad's (1998) doctoral thesis Tourism in Nepal –Marketing Challenges. Similarly, Shrestha Puspa's (1999) –doctoral thesis- Tourism in Nepal Problems and prospects and other doctoral works were done by Sharma's (2001) “Tourism Development Planning in Nepal”, Upadhyaya's (2003) “Tourism as a leading Sector in Nepal”, Maharjan's doctoral thesis (2005) Tourism Planning in Nepal, Gautam's (2006) doctoral work “Tourism Financing in Nepal” and Gurung's (2006) doctoral work in Mountain Tourism in Nepal.

1.5.7. Data Processing and Analysis

Both the quantitative and qualitative data were collected, edited, coded, tabulated and interpreted in the appropriate formats, and a great deal of the qualitative information obtained from the study was processed thoroughly, and documented as precious information. Microsoft Office Excel software was used in analyzing the data collected from the field survey. Descriptive

statistics like average and percentage were used to analyze the data. Tables and graphs were used to compare the data.

Secondary data was tabulated and annual rate of percentage (ARP) and Indices were calculated. Comparative tables and ratios like foreign exchange earning from tourism to GDP, government revenue from tourism to total tourism earning were computed. The periodic growth was computed using compound growth rate.

The primary data were processed in a percentage of total response. The questionnaires and interviews were tabulated along with frequencies and percentages.

In order to test the hypothesis, correlation and regression analysis was undertaken. Hypothesis was tested on 1%, 5%, and 10% level of significance.

In this study the following procedures were undertaken to analyze the available data and information to attain the specified objectives.

1. Growth of tourists influx was assessed on the basis of past trends, simple percentage and computation of statistical trends.
2. Contribution of tourism was assessed as follows:
 - a. Total Foreign Exchange Earning generated from tourism,
 - b. Revenue generated by government
 - c. Contribution of tourism, GDP and employment generation
3. Tourists were segmented basically on the basis of their demographic, geographic, product base and expenditure level, to find out the need and preference of target market.
4. The problem and prospects of tourism were assessed on the basis of SWOT analysis.

1.5.8. Hypothesis

1. There is no significant effect of Average Length of Stay (ALS), Total Number of Tourist Arrival (TNOT), and Number of Hotels (NOH), and Number of Beds (NOB) on Foreign Exchange Earning from Tourism (FXE).
2. There is no significant relationship between tourist arrivals (TNTA) on the average income per capita (AIPC).
3. There is no significant effect of tourist expenditure on Total Export trade (TET), Total Tax Revenue (TXR), Total Trade Volume (TRV), and Gross Domestic Product Nominal (GDPN).

1. 6 Statistical Tools Used

In order to analyze the study and test the hypothesis, various statistical tools were used. Mean, growth rate, percentage etc were computed as per the need. The first hypothesis was tested using the econometric model described below.

Methods of Analysis and Model

The present study has examined the effects of tourism on various development indices through regression analysis. Initially, both simple linear and log linear model were used on the test (Gujarati, 1995: 209-210) as mentioned below and selected the final model. These regression models have used one independent variable to each regression. Regression was conducted with independent variables-average length of stay, number of tourist, number of hotels, and number of beds of every regression.

Statistical Method Used

In order to analyze the study and test the hypothesis various statistical tools were used.

1. It is assumed that Foreign Exchange Earning from Tourism (FXE) in Nepal is influenced by tourist's average length of stay (ALS), Total Number of Tourist Arrival (TNOT), Number of Hotels (NOH), and Number of Beds (NOB). It means that the increase in foreign exchange earning in Nepal is dependent on the above variables. These variables in combination can explain the major variation in foreign exchange earning in Nepal. So, the present study hypothesized that the increase in foreign exchange earning can be explained by the average length of stay, total number of tourist arrival, number of hotels and number of beds.
2. It is also assumed that average income per capita (AIPC) is influenced by Total Number of Tourist in Nepal (TNTA). It means average income per capita is dependent on total number of tourist arrival. The present study hypothesized that the increase in average income per capita can be expected to increase with the increase in number of tourist arrival.
3. It is also assumed that Total Export Trade (TET), Total Trade Volume (TRV), Total Tax Revenue (TXR), and Gross Domestic Product Nominal (GDPN) are influenced by Tourist Expenditure (TXP). It means Total Export Trade, Total Trade Volume, Total Tax Revenue, and Gross Domestic Product Nominal (dependent variables) are influenced by Tourist Expenditure (independent variable)

The relationship between dependent variable Y_t and independent variable X_t described by the model.

$$Y_t = \alpha_0 + \alpha_1 X_t + u_t \dots \dots \dots (i)$$

The quantity u_t in the model equation number (i) is a random error assumed to be normally distributed with mean zero and constant variance σ^2 .

The relationship between dependent, and more than one independent variables studied by multiple linear regression. The model of multiple linear equation is as follows:

$$Y_t = \alpha_0 + \alpha_1 X_{1t} + \alpha_2 X_{2t} + \alpha_3 X_{3t} + \alpha_4 X_{4t} + \mu_t \dots (ii)$$

The expected relationship between dependent and independent variable included in the model provide linear equation as below

$$FXE_t = \alpha_0 + \alpha_1 ALS_t + \alpha_2 TNOT_t + \alpha_3 NOH_t + \alpha_4 NOB_t + \mu_t$$

Where μ_t is a random error assumed to be normally distributed with mean zero and variance σ^2 .

The independent variables are called regressor variable. The constant $\alpha_0, \alpha_1, \alpha_2, \alpha_3, \alpha_4$ are called parameters. The parameter α_0 is the intercept of regression plane. α_1 measures the expected change in response Y per percentage change in X_{1t} when X_{2t}, X_{3t} and X_{4t} are held constant. α_2 measures the expected change in Y unit change in X_{2t} when X_{1t} and X_{3t} are held constant. Similarly, α_3 measures the expected change in Y per percentage change in X_{4t} when X_{1t}, X_{2t} and X_{3t} are held constant.

In dynamic terms the linear regression model is a static model which does not consider of lags in the adjustment process. In order to incorporate dynamic

adjustment relationship the proposed static model is transformed to a dynamic model. The dynamic model is given by log linear functional form as below:

$$\text{Log}Y_t = \alpha_0 + \alpha_1 \log X_t + u_t \dots \dots \dots \text{(iii) (simple log linear model)}$$

$$\text{Log}Y_t = \alpha_0 + \alpha_1 \log X_{1t} + \alpha_2 \log X_{2t} + \alpha_3 \log X_{3t} + \alpha_4 \log X_{4t} + \mu_t \dots \dots \dots \text{(iv) Multiple log linear model.}$$

Where, μ_t is a random error assumed to be normally distributed with mean zero and variance σ^2 .

The expected relationship between dependent and independent variable in simple log linear model included in the above model (iii) is as follows

$$\text{Log} F_{XE_t} = \alpha_0 + \alpha_1 \log ALS_t + \mu_t$$

Where, μ_t is a random error assumed to be normally distributed with mean zero and variance σ^2 .

Similarly in multiple log linear model the expected relationship between dependent variable and independent variables is as follows,

$$\text{Log} F_{XE_t} = \alpha_0 + \alpha_1 \log ALS_t + \alpha_2 \log TNOT_t + \alpha_3 \log NOH_t + \alpha_4 \log NOB_t + \mu_t \dots \text{(iv)}$$

Where, μ_t is a random error assumed to be normally distributed with mean zero and variance σ^2 .

If the model includes one or more lagged values of the dependent variables among its explanatory variables it is called an autoregressive model. The model is as follows:

Where, μ_t is a random error assumed to be normally distributed with mean zero and variance σ^2 .

The expected relationship of dependent variable FXE with ALS and one lagged variable of FXE is as follows:

$$Y_t = \alpha_0 + \alpha_1 X_t + \alpha_2 Y_{t-1} + \mu_t \quad \dots (v)$$

$$FXE_t = \alpha_0 + \alpha_1 ALS_t + \alpha_2 FXE_{t-1} + \mu_t$$

Auto Correlation

Auto correlation is designed to measure correlation between errors ordered in time. It is by correlation of a given series with itself, lagged by one period. The correlation between two time series such μ_1, μ_2, \dots and μ_{10} and $\mu_2, \mu_3, \dots, \mu_{11}$ where the former is the latter series lagged by one time period is called auto correlation.

In a situation where the dependent, and independent, data are time -oriented (time series) data, the assumption affects the precision but not the accuracy of the estimation of the α_1 parameters in a regression model.

Durbin – Watson test Statistics

Durbin – Watson have developed a test statistic, known as Durbin – Watson ‘d’ statistic, to test the presence of auto correlated error terms or residuals in the series. The test statistic is given by

$$d = \frac{\sum_{t=1}^n (\mu_t - \mu_{t-1})^2}{\sum_{t=1}^n \mu_t^2}$$

The advantage of the d statistic is that it is based on the estimated residuals, which are computed in regression analysis.

The Durbin – Watson ‘d’ statistics is used to find out the presence or absence of autocorrelation. If Drawin Watson statistics shows autocorrelation significant then to eliminate the impact of autocorrelation, Cochran-Orcutt (C-O), two step method (Gujarati, 1995 – 431 – 423) is used. On using Cochran-Orcutt it is expected to provide for the improvement in the estimation of the model as well as estimating the regression parameters. The detail procedure of Cochran- Orcutt two steps and regression model are given below.

1. The regression model

$$Y_t = \alpha_0 + \alpha_1 X_t + u_t \dots \dots \dots (i)$$

First of all rho value () is estimated and it is used in step two in the generalized difference equation. First of all the coefficient of autocorrelation of (rho) is estimated and is used in step two:-

Then multiplying (i) by ... (autocorrelation) we get

$$Y_{t-1} = \alpha_0 + \alpha_1 X_{t-1} + u_{t-1} \dots \dots \dots (ii)$$

Subtracting (ii) from (i) we get

$$\begin{aligned} 3.(Y_t - \rho Y_{t-1}) &= \alpha_1(1 - \rho) + \alpha_2(X_t - \rho X_{t-1}) + (\mu_t - \rho \mu_{t-1}) \\ &= \alpha_1(1 - \rho) + \alpha_2(X_t - \rho X_{t-1}) + \mu_t \dots (iii) \end{aligned}$$

Where $\mu_t = (\mu_t - \rho \mu_{t-1})$

Since μ_t the error in (iii) satisfies the assumptions of ordinary least square method (OLS)

Of estimating the regression parameters, the results will be better than (i)

1. 7 The Limitation of the Study

This study has been carried out with the following limitations.

This study includes only the international tourists (including Indian) in the visitors' survey 2006 but does not include the domestic tourists.

The visitors' survey was conducted during the whole year of 2006.

Requisite data and information were not available and some of the data and information either seemed to be incomplete or susceptible.

Total income from different sectors of tourism was not available. It was compiled from different sources. There was also a limitation of literature particularly about the studies in the area of tourism marketing.

The study is concerned more on the service and economic aspect rather than on the social and environmental impact of tourism.

The study covers the period "between" 1980 to 2006, and in some cases it has covered a period between 1990 and 2007.

The business organizations such as travel agencies, trekking agencies and airlines have not been separately dealt with in the present study. The problems have been analyzed collectively. Regarding the quality of services, due to the time constraint only quality of service of the star and non-star hotels have been measured on the basis of five dimension of service quality, SERVOQUAL. It is a diagnostic tool that uncovers a firm's broad weakness and strength in the area of service quality. Tourist perceptions are measured on 7 points scale with anchor labels of "strongly agree" and "strongly disagree".

1. 8 Possible Sources of Bias

Prior to the discussion and analysis, it was expected that there would be biasness in the selection of the sample and collection of data. However, it is found that basically two types of possible bias may occur. Firstly, the possibility of bias may occur from the criteria used to determine the size of the population and selection of sampling method during the study. The second bias may appear from the fact that no organization is ready to disclose complete information of their business position and policy because of growing business competition and recent slackness in tourism business. Even the listed government and semi-government organizations did not want to supply all the required information. In fact, tourism business organizations are either small or large and legally they do not need to provide all the information to the required persons.

1.9 Chapter Scheme of the Study

The present study is divided into eight chapters. The broad outlines of the chapters are as follows:

Chapter 1 is an introductory chapter. It presents the background of the study, concept of tourism and tourism service marketing. In addition, it deals with the significance of the study, objectives of the study, research design, and sources of data and methods of analysis to be adopted.

Chapter 2 presents theoretical background of tourism. It includes a brief presentation of theoretical foundation on tourism and review of studies made, which are mainly related to Nepal.

Chapter 3 presents the details of the nature and features of tourism products. It also includes a brief presentation of some important tourism products of Nepal. It also analyzes the strength, weaknesses, opportunities and threats of present tourism products of Nepal.

Chapter 4 presents the tourism infrastructures development in Nepal in different forms, like support infrastructure, Tourism Industry Organization and institutional infrastructure for tourism.

Chapter 5 is designed to segment the existing tourism market of Nepal on the basis of geographic, demographic, product usage and economic benefits point of view.

Chapter 6 is designed to examine the present status of tourism in the economic development of Nepal. It essentially presents the analysis with reference to the impact of tourism on economic growth.

Chapter 7 presents the survey findings and includes presentation and evaluation of tourism marketing and development efforts as perceived by tourists, organizations and experts.

Chapter 8 presents the summary of findings and conclusions of the research. It also includes the policy implementation and suggestions.

CHAPTER TWO

Review of Literature

2.1 Introduction

In the second chapter of this study, an attempt has been made to review the literature on the theoretical background on tourism, concept of tourism, motivation for travel and tourism services. Equal emphasis has been given to the role of service marketing, and tourism marketing. A brief history of tourism development has also been enriched.

Similarly, in the second part of this study to increase the horizon of knowledge, researcher has reviewed various books, articles, journals and research paper written and published by different writers and scholars, and scrutinized previous research works conducted by different scholars on related subject.

2. 2 Meaning of Tourism

The word "Tourism" originates from the word "Tour" which means journey out of home to see and visit several places. In the old sense, it means a journey, a travel, a voyage, pilgrimage, excursion, expedition and so on. In ancient times people traveled from one place to another for adventure. The objectives of traveling in those days were different from those of the present

day. Columbus traveled for months in the unknown ocean and discovered America. He did not travel for months for pleasure, but such persons cannot be called tourists. The first and second world war gave birth to tourism. Because when the world wars were over, people from different countries liked to visit the nations devastated by war. This can be considered as the beginning of the history of world tourism.

Many studies have been conducted on tourism by different people inside and outside the country. Due to the growing interest in tourism, more and more studies about tourism are coming into focus. Before reviewing the related studies, a brief review of the theoretical foundation of tourism has been studied to explore the reasons for traveling of people. The researcher has reviewed the books, journals, magazines, and research reports, etc whichever are available.

According to Ghosh (2000:2), tourism is very difficult to describe. Some think of tourism as an industry, and some say it is an activity. If an industry is defined as a number of firms that produces similar goods and services, in competition with each other, then tourism can not be conceived as an industry, because it offers complementary service rather than competing products and services i.e. the airlines, hotels and attraction industries which do not compete with each other. So, it is better to call it an activity. It is an activity that takes place when people move to some other place for leisure or for business and stay at least for twenty-four hours. Tourism and travel are not synonymous. All tourism involves travel, but all travel is not tourism.

So far as tourism is concerned, some authorities have described tourism as a system. As a system, it is viewed as consisting of inter- related parts.

According to the authorities, the tourism system consists of four parts e.g. market, travel, destination and marketing. First the individual makes a decision to travel, then he thinks where, when and how to go. The second segment of tourism system analyses those choices. The destination is the third part of the system which consists of attractions and services used by the traveler and finally the destination encourages people to travel through the process of marketing (Ghosh, 2000:3).

In other words, Gosh has expressed that unlike other consumer products, the products of tourism is an experience rather than a good. Therefore, there is no tangible return on the investment. But it is relatively tourist when they travel they acquire an experience which is made up of many different parts, some-tangible (like transportation, accommodation), and some intangible (pleasure of a mountain, lakes etc) (Ghosh, 2000:3).

2. 3 Concept of Tourism

In the world, 'Travel' is as old as mankind and by nature human beings are fond of traveling. Human travel started since nomadic times, when they traveled and migrated for food and shelter due to natural compulsions (Tewari, 1994:1). The true consciousness and the anxieties of human nature encouraged traveling for new findings. Thus, "the origin of tourist industry can be traced to the earliest period of human habitation on the globe. Of course, there exists a difference between modern traveling and traveling during the early period. But it is the habit of traveling in those far off days which was a must for the survival and existence of early men. But with the advent of civilization and change in the human outlook, the meaning of traveling has been shifted from the necessity to the desire of taking marvelous adventures" (Ranjit, 1976:17).

Prior to the advent of the industrial revolution, travel was primarily related to the trade, the desire for military conquest or the performance of group rites. It was principally the traders, in the early historical period, who blazed the trail by establishing national trade routes and communications, which later extended throughout the region and finally to other continents. Thus, it was trade that first motivated travel in the real sense, (Tewari, 1994:1).

Later, the advent of modern means of transport and communication has uplifted tourism by facilitating and encouraging traveling. This developed form of traveling in modern technology is known as 'tourism' today. National Committee on Tourism, India defined it as, "the new phenomenon of traveling in pursuit of leisure, culture and the quest for knowledge about alien lands connotes the concept of tourism and the growth of tourism is closely related to the ease and speed of travel, economic growth and political development" (Mohanty,1992:43).

Tourism grew gradually over the years as easier and faster means of travel became available. Mass tourism started in Europe only in late 19th century but today it is a world wide reality". It has emerged as the most lucrative business of the world, having tremendous potentiality, growth of ancillary industries, generating income and employment and in the development of industrially backward region through its various linkage effects" (Singh, 1975).

In concise form, we can say travel is rooted in the ancient past but tourism is a recent phenomenon of modern origin (Mohanty, 1992:43, and Tewari, 1994:14).

Travel connotes "journeys undertaken from one place to another for any purpose including journeys to work and a part of employment, as part of leisure and to take up residence. All tourism includes some travel, but not all travel is tourism" (Burkart, 1974:311). In general, the concept of travel means the movement of people from one place to another. "It is a common practice to use the word 'travel' and 'tourism' either singly or in combination to describe three types of concepts:

- a) The movement of people;
- b) A sector of economy or an industry; and
- c) A broad system of interacting relationship of people, their needs to travel outside their community of residence.

International organizations like the tourism committee of the Organization for Economic Co-operation and Development (OECD), the World Tourism Organization (WTO) use the term 'tourism' not 'travel'. In the 1970s the United States preferred the term 'travel' but there was greater acceptance for the term 'tourism' a decade later. It is however, considered by many that the area should be described as 'travel and tourism' (Tewari, 1994:14-15).

In general, tourism denotes the movement or journey of human beings from one place to another, whether it may be within one's own country or second countries, for various purposes. The popular word "Tourism" of the present day is derived from the French word "Tourisme" which originated in the decade 1930s, but its significance was not fully realized until today when 'Tourism' has a wider meaning and significance (Satyal, 1999:7).

2. 4 Scope of Tourism

In Sanskrit literature, there are three terms for tourism, derived from some other place. The three terms are (Negi, 1990:23).

- Paryatna: It means going out for pleasure and knowledge.
- Desatna: It means going out of the country primarily for economic gains.
- Tirthatna: It means going out to places of religious merits.

One of the first attempts to define tourism was that of an economic standpoint by Ogilvie (1933). He has tried to define tourists as: all people who satisfy two conditions that they are away from home for any period of less than a year, second that while they are away, they spend money in the place they visit without earning it there.

Another early definition dating from before the Second World War was the attempt to define tourism by Hunziker and Kraf of Berne University (Holloway, 1990). According to him tourism is the sum of phenomena and relationships arising from the travel and stay of non – residents, in so far as they do not lead to permanent residence and are not connected with any earning activity.

Of two conditions stated by Ogilvie (1933), the first seems to be a fairly arbitrary but reasonable way of discriminating between tourists and migrants. Whereas, the second condition seems to be derived from his own background as an economist, with the conceptualization of tourism as an export from the tourist receiving country or region to the tourist's home country or region. However, Hunziker and Karf have tried to distinguish tourism from migration.

It also precludes the business travel which is associated with an earning activity, even if that income is not earned in the destination country.

As has been re-expressed by the Scientific Experts, McIntosh and Goelder (1990), the conditions mentioned by Professors Hunziker and Karf are presented as the sum of the phenomena and relationships arising from the interaction of tourists, business suppliers, host government, and host communities in the process of attracting and hosting these tourists and other visitors. Whereas, Burkart and Medlik (1981) described tourism as: the temporary, short term movement of people to destinations out side the places where they normally live and work and their activities during the stay at these destinations.

The definition expressed by these experts represents an approach which starts with the idea of “tourism” and defines it as what tourists do, what is done for tourists and anything done with tourists. Four major characteristics of tourism have been noted from the Burkart and Medlik’s technical definition.

1. Tourists are the people who take part in a journey to, and stay in various destinations.
2. Their destinations are different from their normal place of residence and work, so that their activities are not the same as those of the resident and working populations of their destinations.
3. Their objective is to return to their normal place of stay within a few days or months, so the journey is of a temporary and short – term nature;
4. Their purpose to take part in the journey is not to take up permanent residence or employment.

There is an emphasis in the second point differentiating between tourists and other people. Justification of the above points validated 'tourism' as a distinct field of study.

However, Cohen (1974:533) also extended a sociological approach and has defined 'tourists' as: a voluntary, temporary traveler, traveling in the expectation of pleasure from the novelty and change experienced on a relatively long and non-recurrent trip.

From this definition tourist can be distinguished from other travelers with tourism characteristics such as: temporary, voluntary, round trip, relatively long, non-recurrent, non-instrumental and for novelty and change.

Mc. Intosh, Goeldner, and Ritchie defined tourism as "the sum of the phenomenon and relationship arising from the interaction of tourists, business supplies, government and host communities in the process of attracting and hosting these tourists and other visitors (Mc. Intosh, Goldner & Richer, 1995:10)

The Tourism Society in Britain had also attempted to clarify the concept and in the year 1976 defined as follows: "Tourism is the temporary short-term movement of people to destinations outside the places where they normally live and work and their activities during the stay at these destinations, it includes movement for all purposes, as well as day visits or excursions." (Bhatia, 1994:38)

The most widely used and popular definition of tourism is the one prepared by the United Nations Conference in International Travel and Tourism held in Rome in 1963. This definition was recommended by International Union of

Official Travel Organization (IUOTO) in 1968. Again, in 1993, the United Nations Statistical Commission adopted Rome definition of tourism in revised form prepared by World Tourism Organization (WTO) as a follow up to the Ottawa International Conference on Travel and Tourism Statistics, jointly organized by WTO. In this definition WTO has developed a schematic breakdown of all travelers. A traveler is defined as “any person on a trip between two or more countries or two or more localities within his/ her country of usual residence.” (WTO, Framework for the collection and Publication of Tourism Statistics: 4)

According to Collier (1989:3) the definition of tourism identifies the following characteristics:

- Tourism involves a complex set of interrelationships between people, places, and products.
- These interrelationships evolve through the transportation of people to various destinations outside of their normal place of residence, and their stay at those destinations
- The durations of the visit must be of a short-term nature.
- Tourism is essentially a pleasure activity in that it does not involve earning related travel even if the associated income is not earned in the destination, region or country.

In Nepal, then HMG/Ministry of Tourism and Civil Aviation has adopted the definition recommended by the United Nations, Guidelines for Tourism Statistics (New York, 1971). According to those recommendations, the non general term 'visitor' is divided into two special categories; excursionists and tourists (DOT, 1994:9).

The general Assembly XXIII of IUOTO (International Union of Official Travel Organization) Caracas (Venezuela) held in October 1973 recommended a study to draw a common standard and acceptable definition of domestic tourism. The following definition was put forward by IUOTO in 1974/75. For statistical purposes, the term 'domestic tourist' designates any person who travels within the country where he resides to a place other than his usual place of residence for at least 24 hours or one night, for a purpose other than exercising a gainful activity and which may be classified under one of the following headlines:

Leisure (recreation, holiday, health, study, religion, and sport)

Business (family, mission, meeting)

Normally, five main elements are commonly accepted by all. They are

1. place of residence
2. geographical setting of travel (national territory)
3. duration of travel
4. distance of travel and
5. motivation of travel

Regarding the distance factor, some countries specify a minimum distance, varying between 25 to 100 miles (around 42 to 160 km.) (Kunwar, 1997: 132).

In the view of Bovy and Lawson (1998:268) domestic tourism is important as a means of extending benefits within a country as well as improving the balance of foreign tourism revenue and utilization of investments. In many countries, domestic tourism is much more significant than international tourism. Overall, the ratios between domestic tourism and international are about 10:1 in terms of activity and between the ratios 3:1 and 4:1 in expenditure.

In Nepal people used to travel by walking in the absence of modern day road transport facilities, from one part of the country to another mostly for different purposes. For this over-night shelter and some rest, open, *patis* (rest houses) and *chautaras* (platforms), were erected, mostly by philanthropists and other charitable societies (local and private *guthis*), at different parts of the walking and trekking route of Nepal.

Therefore, domestic tourism in Nepal is not a new concept, although it has remained unsecured so far. Nepal being a country with many religious sites at different parts of the country, the religious minded people usually visited Nepal for particular reasons (Kayastha and Bajracharya, 1996).

Kunwar (1997:132) describes that the difference between domestic and international tourism is that of jurisdiction of travel. The domestic tourist does not need to fulfill various travel formalities, which are necessary in international tourism. The barriers of passport, visas, exchange of foreign currency, language and culture are not faced by a domestic tourist.

Satyal (1999:8) expresses his view that for the first time, the definition of International Tourism was considered in 1937, under the aegis of the Economic Commission of the League of Nations (L.O.N.). The main view put forward was to make comparable international travel statistics of all countries of the world.

He further adds that the aims and objectives of Domestic and International Tourism are the same, but their field of movement and activities are quite different. Both have their own distinct classification and they cannot be treated as one and the same thing.

Bhatia (1994:99) describes international tourism as traveling across international borders for more than 24 hours for the purpose of business or pleasure.

According to Kayastha (1985) in a more technical sense tourism may be thought of as the relationship and phenomena arising out of the journey and temporary stay of people traveling primarily for leisure or recreational purpose. The systematic history of the origin of tourism is found to have started since the 18th century.

Zulfikar, (1998:58) describes that international tourism is an invisible export in that it creates a flow of foreign currency into the economy of a destination country thereby contributing directly to the current account of the balance of payments. He says that like other export industries, this inflow of revenue creates business turnover, household income, employment and government revenue.

2. 5 Definition of Tourism

According to the latest international definitions, which are endorsed by the UNITED NATIONS (UN), travel can be defined as “the activity of persons while they move different geographic locations, for any purpose and duration. Those who travel are referred to as travelers. Travel can occur within a country or region (domestic travel) or involve more than one country (international travel)” UN /UWTO, (2007:10).

A visitor is defined as a traveler taking trips outside his/ her usual environment involving visits with a length of stay less than a year. In relation to travel,

tourism is more narrowly defined concept that refers “to the activity of visitors while on trips or related to trips”.

In distinct from the wider concept of travel, the UN definition of tourism excludes employment in the destination country as a purpose of visit. It is also stressed that “to be a visitor is a transient situation, related to specific trips itself”. Visitors can be subdivided into tourists (or over night visitors) and excursionists (or same day visitors) UN/UNWTO, (2007:10).

The above definition primarily refers to the demand side, i.e. the perspective of visitors. Tourism can also be examined from the supply side, i.e. focusing on the attractions, resources and establishments that are utilized or created for the purpose of tourism within destination areas. (Wall & Mathieson, 2006:14). Although not an “Industry” in the conventional sense, tourism has been described as a “composite industry beginning with primary inputs (land, labors, and capital), a transformation into intermediate inputs (physical plant, such as resorts, parks, etc.), further processing to create intermediate outputs (guided tours, festivals and cultural performance) and final consumption by the tourist, with a final output experiences (Wall & Mathieson, 2006:15).

The supply side perspective is stressed in the definition of Smith: “Tourism is the aggregate of all business that directly provide goods or services to facilitate business, pleasure, and leisure activities away from the home environment” (Smith 1988:183).

However, defining tourism as “a retail industry” is too narrow for the purpose of this analysis, as it excludes the many indirect and induced impacts of

tourism, e.g. employment in related industries, creation of physical infrastructure or craft and souvenir manufacturing (Harrison, 1992: 14-15).

Wall & Mathieson therefore rejects definitions that exclusively describe tourism as an activity, an industry, or a product. Instead, they propose to conceptualize tourism as a “multi-faceted phenomenon” due to its inherently complex and spatially fragmented nature. “Tourism involves the tourists, the destination and its people, and the routes and means of which they are brought together. Tourism is both an economic and social phenomena.

This approach tourism “lacks precision and has fewer immediate practical or technical applications”. However, it contextualizes more accurately the consequences of tourism as being the result of a complex array of relationship and interactions (Wall & Mathieson, 2006:17-18). Lastly, it is necessary to define the term destination as the major spatial domain of tourism impact.

2. 6 Motivation to Travel

People travel from one place to another, leaving their home area, with different motives. “Historical records show that people did travel for motives other than trade, commerce, and religious rites in the ancient world. They were impelled by the innate human desire to explore their surroundings, discover the unknown and seek new experiences. Other motivations includes curiosity, health sports and knowledge that made them travel for pleasure to renewed places” (Tewari, 1994:20).

Studies of tourist psychology and motivation show that individuals normally travel for more than one reason and tourism is the outcome of a combination

of motivations. The motivation for tourism, conceived as a pleasure activity or holiday travel. They tend to change frequently. People participate in tourism for different reasons (Tewari, 1994:20).

As stated by Burkart and Medlik “the prime motivation is to be elsewhere and to escape, however, temporarily, the routine constraints and stress of everyday life” (Tewari, 1994:23).

Lundberg has given 18 motivations under 4 groups and they are considered to be most important in causing people to travel. They are:

Educational and Cultural motives

1. To see how people in other countries live, work and play.
2. To see particular sights
3. To gain a better understanding of what goes on in the news.
4. To attend special events

Relaxation and Pleasure

5. To get away from everyday routine
6. To have a good time
7. To achieve some sort of romantic experience.

Ethnic

8. To visit the places one's family came from
9. To visit the places one's family or friends have gone to

Others

10. Weather (for instance to avoid winter)
11. Health (sun, dry climate etc)
12. Sports (to swim, ski, fishing or sail)
13. Economy (inexpensive living)
14. Adventure (new areas, people, and experiences)

15. Conformity (keeping up with Joneses)
16. One-upmanship
17. To participate in history (ancient temples and ruins, current history)
18. Sociological motives (get to know the world)

Similarly, McIntosh has classified the basic travel motivator under four headings: (McIntosh, 1972:52).

1. Physical motivators (physical rest and relaxation and sporting activities).
2. Cultural motivators (educational and cultural factors such as the desire to see and know about people of other countries, their artistic and cultural heritage).
3. Interpersonal motivators' individual's ethnic and family ties, his desire to visit relatives and friends or simply to get away from the routine of everyday life and obligations).
4. Status-cum prestige motivators (desire and ambition of the individual for education, personal development, pursuit of hobbies or development of professional interests).

Moreover, Robinson (1976:32-34) has elaborated and classified four categories of motivators. According to Robinson, the main reasons for people to engage in tourism are:

- Relaxation and refreshment of body and mind
- Health
- Pleasure
- Curiosity and culture
- Interpersonal reasons
- Spiritual purpose and
- Professional or business reasons.

In recent years there have been a number of studies on various aspects of travel and tourism and many theories and propositions have been put forward by writers. It was mentioned at a five fold classification of tourism, based on modes of tourists experiences, (viz. recreational, diversionary, experiential, experimental and existential models) offered by E. Cohen, on the one hand, and Valene Smith, (ethnic, cultural, historical, environmental and recreational tourism) on the other (Tewari, 1994:28-29).

Although, leisure of people and surplus of money are the main factors which motivate people to travel, there are many socio-economic factors responsible for the growth of travel of people in the world. Different studies concerning motivation and psychology for tourism also have shown that individuals generally travel for more than one reason, thus it is the outcome of a combination of motivations (Bhatia, 1994: 26). The most comprehensive list of factors influencing the growth of tourism, however, comes from Louis Erdi of the Swiss Federal University.

2. 7 The Travel Market

According to Bhatia tourism is the fastest growing industry in the world. It is also one of the world's most competitive businesses and the competition is increasing as more and more countries seek to attract tourist and more companies and organizations become involved in the highly skilled business of transporting, accommodating and catering for tourists.

He emphasized that tourism needs to be marketed, just as any other product, indeed more so, because it is an industry in which the customer still has an immense variety of choice. There are a number of destinations competing with each other to get a bigger and bigger share of market (Bhatia, 1997: 139).

According to Sinha, (2002:2-3) marketing is a management philosophy which, in light of tourist demand, makes it possible through research, forecasting and selection to place tourism products on the market most in line with the organization's purpose for the greatest benefit. This definition suggests several things. First, it indicates that marketing is a way of thinking about a situation that balances the needs of the tourist (as indicated through tourist demand) with the needs of the organization or destination. Second, the definition stresses tourist research in the selection of tourist demand. Thirdly, the concept of product lifecycle and positioning are useful for the proper placement of tourism products on the market and to suggest an appropriate marketing policy and strategies resulting from that decision (Sinha, 2002: 3).

2. 8 Service Marketing: Concept

Tourism as one part of service and this has occupied a vital place in business studies all over the world. According to Reddy, et al, (2000) the concept of service marketing first was conceived in advanced countries in 1970s. Marketers in these countries were applying the traditional marketing techniques for marketing the services. Actually, they were not differentiating between the marketing of physical goods and of services. The paid services organizations like financial institutions were also thinking that "service was just an augmentation of the physical product or that could be considered as a product itself if no physical product was involved". In reality, they were performing the markets of services. They never considered this as a separate powerful activity which could bring more income and increase the standard of living. Due to the increased contribution to GDP by the service sector in advance as well as developing countries, it has opened the eyes of marketers (Reddy, et al, 2000:1).

In fact, the concept of “service” was recognized by writers on economics. Adam Smith, the classical economist had distinguished between tangible output (agricultural products and industrial products) and intangible output (services of these intermediaries were unproductive. But Alfred Marshall, a neo-classical economist, modified the thinking of Adam Smith and said, “A person providing a service was just as capable of giving utility to the recipient as a person producing a tangible product. Indeed tangible products may not exist at all, if the series of services performed in order to, are not made available to consumers”. He argued that a service agent like a transporter or a commission agent actually provides value for the farm output and without the services of these agents, agricultural products produced in areas of surplus would be of no value. Although service sector is contributing in its own way it was not recognized as a major sector of the economy till recently (Reddy, et al, 2000:1-3).

Reddy, et al further added that in 1990 and particularly at current juncture, “quality” concept was introduced in services marketing. A feeling is also developing that services marketing is important not only in services sector but also in every business enterprise to enterprise which is also dealing in physical products and some services which are an integral part of business operations. The success of marketing depends upon the quality of service rendered by each service provider. Several physical products need the help of the service sector to reach the consumers.

There has been no consistent meaning of what constitutes a service. According to Kotler, a service is “any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product”. In

service “service” is related to service provided to a traveler to travel, stay, and be involved in tourism activity.

According to Saunders and Wong “a service is any activity or benefit that one party can offer to another which is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product (Palmer, 1998:2).

However, in the Nepalese context, the service sector plays an important role in the all-round development of a country. The development of the service sector in the country like Nepal not only accelerates the pace of economic growth of the country, but also supports the development of other sectors of the economy (Shrestha, 1998). Shrestha claimed that the development of the service sector such as transport and communication directly influences the development of productive sectors such as agriculture and industry.

2. 9 Tourism Marketing: Concept

The tourism phenomenon has attracted almost the entire world. Those responsible for managing the affairs of nations have universally recognized the economic advantages of tourism. It is a very important source for maximizing scarce foreign exchange earnings for not only developing countries but for many developed countries of the world (Anju, & Bhatia, 1996:126). Marketing in tourism would follow the same principles of general marketing but it has some peculiar qualities. The historical approach to tourism marketing was that of endeavoring to convince potential visitors about the assets and resources of specific destinations. The product was specifically the combination of attractions of destinations. In brief, the main focus was given

to the product; however it did not matter whether potential visitors had any interest in such attractions. Thus product-oriented marketing has helped to increase visitor's arrivals. But in recent years, attention has been shifted from product destination to potential destination visitor. New concepts such as visitor's motivation and satisfaction began to creep into the marketers thinking (Batra & Chawla, 2001:3).

Bhatia emphasizes that there is a need of tourism marketing with proper planning and sound policies. "Its complexity lies in the fact that tourism promotion in its various forms has to be directed at a large number of people of various countries with different socio-economic structures and pattern. It is only through the efficient marketing strategy that will help understand people's tastes, and preference for travel, and hence need for marketing in tourism" (Bhatia,1994:141). However, tourism industry does not seem to apply to the marketing approach for its promotion and development adequately (Anand and Bajracharya, 1985:1).

In 1997, Lumbdon defined tourism marketing as the managerial process of anticipating and satisfying existing and potential visitor wants more effectively than that competitive suppliers or destinations. Thus, management of exchange is driven by profit, community gain or both. Either way, long term success depends on an interaction between the customer and the suppliers. It also means securing environmental and societal needs as well as core consumer satisfaction. They can no longer be regarded as mutually exclusive (Vellas & Becheral, 1999).

Bhatia expresses that tourism being the fastest growing and most competitive industry in the world, it should be marketed properly. "Tourism needs to be

marketed, just as any other product, indeed more so, because it is an industry in which the customer still has an immense variety of choice. There are a number of destinations competing with each other to get a bigger and bigger share of the market" (Bhatia, 1994:137). Hence, tourism marketing is regarded as a central point of whole tourism activities. To day all direct and indirect promotional activities to sell destinations are related to tourism marketing and it effects all the operations of tourism (Negi, 1990:387).

In other words, tourism marketing is defined as the "systematic and coordinated efforts exerted by the national tourist organizations and or the tourist enterprises at international, national and local levels to optimize the satisfaction of tourists, groups, and individuals, in view of the sustained tourism growth" (Bhatia,1994:142).

According to Krippendorf (1971:46), "marketing and tourism is to be understood as a systematic and coordinated execution of business policy by tourist undertakings whether private or state owned, at local, regional, national or international levels to achieve the optimum satisfaction of needs of identifiable consumer groups and in doing so to achieve an appropriate return". Hence, tourism marketing denotes the development of a tourism product to meet the needs of the tourists and then employing the techniques of direct sales, publicity and advertising to bring this product to the tourists (Bhatia, 1994:142).

Vellas and Becherel (1999) expressed that there are several authors who have defined tourism marketing, and recently a societal and environmental aspects has been introduced to the definition. Seaton and Bennett (1996) identified five essential features of tourism marketing:

- a philosophy of consumer orientation
- analytical procedures and concepts
- data- gathering technique
- organizational structure
- Strategic decision areas and planning functions.

According to them technology is a vital component in to day's tourism strategies and an essential tool in an organization's quest to compete and to surpass competitors. They also consider tourism as an international activity requiring specialized marketing skills (Seaton and Bennett, 1996:6-7).

Walsh (1993) defined international marketing as the marketing of goods and services and ideas across national boundaries, and the marketing, facilities and accessibility or its cost. According to Shanker (2000:130), there can be various reasons for a tourist to visit a destination of some interest. A destination might be visited because of its natural landscape or resource, historical monuments, religious significance, shopping or it may be a man-made tourist attraction. Shanker adds that in tourism marketing we are marketing a destination and once a destination is sold to a customer or customer group, everyone who is providing some service in relation to tourism gets benefited.

According to Jha (1994:181), the conceptual exposition appears essential to study other dimensions of tourism marketing. The marketing experts opine that tourism marketing is the systematic and coordinated efforts to optimize the satisfaction of tourists. Thus customer orientation, satisfaction, profit generation and business expansion are some of the important components of tourism marketing. Naturally, the process necessitates integrated development

of all the related components, e.g. transportation facilities, availability of travel agents and guides etc.

She further adds that the tourism marketing is also supposed to be a device to make a possible re-orientation in the business policy and an overhaul in the management concept. The marketing efforts make it possible for a breakthrough in the tourism system and the tourism product is an amalgam of various elements or components. The application of marketing concept in the tourism industry has some important benefits. The management is in a position to realize that customer needs are more basic than particular product opportunities.

According to aforesaid facts, it is right to mention that tourism marketing is an integrated effort to satisfy tourists by making available to them the best possible services. It is a device to transform the potential tourists into actual tourists and it is the safest way to generate demand and expand market. Tourism marketing is thus promotion or sales based on research on what are to be sold in the market. In tourism marketing since the taste preferences of users change very fast.

Tourism marketing is so basic that it cannot be considered as a separate function. It is the whole business seen from the point of view of its final result that is from the customer's point of view (Tuladhar, 2006:28).

In view of Seaton and Bennet (1996:7-8) marketing plays a crucial role in tourism because it is rare that the customer sees, feels or tests the product he/she must travel to the destination. Therefore, tourism marketing must focus on communicating and highlighting product value. The total tourism product

consists of both natural features and amenities such as transport and access, infrastructure (sanitation, water, electricity and so on) and public and private services (banks, telecommunication, health services and so on). Tourism marketing must also emphasize these amenities, as they are key factors influencing consumer decisions.

Therefore, tourism marketing is different from other forms of marketing because it must present an overall vision of the complete tourism product, including peripheral services from other sectors. Business success is not determined by the producer, but by the customer. The success of tourism marketing means overcoming four dimensions of marketing mix by achieving the targeted audience segmentation- objectives-evaluation Cited from Druker.

2. 10 Feature of Tourism Marketing

Marketing of tourism product is different from the marketing of physical product because a tourism product has unique features that differentiate it from the physical product. As tourism is a service industry, tourism products have distinct characteristics which differ from other physical products.

Intangibility – Intangibility is one of the most important features of tourism industry which is different from other physical product. Tourism product is the set of all services offered to tourism during the period of visit of the visitors to the destinations. It is performance, deeds and efforts. As a result, the tourism products cannot be inspected, sampled, stored, seen, touched and tasted in advanced to their purchase. This can cause lack of confidence on the part of the consumer. Therefore the element of greater risk is involved on the part of the tourist. So to overcome risk and doubt consumers tend to look for evidence

of quality and other attributes. This shows the reliability of the marketer's which play a vital role in tourism marketing (Woodruffe, 1995:19, Hoffman & Bateson, 1997:24, Shanker, 2002:35, and Jaishi, 2008: 93).

Perishability – Perishability means that services can not be stored and, due to the perishable nature of the tourism product, if it is not sold today, it cannot be stored for tomorrow unlike other physical products and will be a total loss. As we have known if an airline seats or hotel rooms are not sold today, it is lost forever. We can not sell them after a few days or months. The opportunity is lost which leads to a financial loss. This will adversely affect the airline and hotel business. Hence, due to the perishable nature of the tourism product, the marketer has to cut down the prices of such products during the off season (Shanker, 2002:35).

As mobility –Tourism product is a service product, it does not move through a channel of distribution. The product can not be transported to the consumers and consumers must come to the product to experience it. This is mostly related in the case of tourism service and destination. In such a situation, the marketing manager can adjust the fluctuation demand by offering a price reduction, price conscious target market, such as families with children, which help to alter their demand pattern in the off season (Jha, 1994:4 and Jaishi, 2008:93.)

Instability in demand – The demand for tourism product is usually fluctuating. It can be affected by the factors like political instability, seasonal change and religion etc. The demand for tourism product varies as per the situation and season. So the marketer has to spend money for the promotion of

tourism, and he has to manage the additional room in a hotel and an airline seat during the peak seasons (Jha, 1994:6 and Jaishi, 2008:93).

Ownership – In physical products, the ownership of goods can be transferred i.e. seller to the buyer, but in a tourism product, that is impossible because the consumer simply use the service. The airline seats or hotel rooms etc can be used by paying the bill for a particular period while the ownership remains with the proprietors, but not transferred to the service user. It is clear that ownership is not affected in the process of selling the services. The buyer is only buying the rights of service process (Jha, 1994:5, Reddy et al, 2000:31 and Jaishi, 2008:93).

Rigidity in Supply – The tourism product unlike physical product can not supply within a short period of time .i.e. rooms or facilities in a hotel can not change or be built within an hour. Similarly, once the hotel property constructed to serve for specific customer segments i.e. hotel room segmented for economy type customer can not be moved up into a luxury one without considerable expenses and time. Like physical products, the service providers can not manage within day or weeks (Jha, 1994:5).

Variability in Service – One of the major features of tourism product is heterogeneity. Especially in hotel business and airline services, most of the time human services are involved in the delivery and consumption processes. It refers to the fact that services are delivered by individuals to individuals, and therefore each service encounter will be different by virtue of the participants or time of performance. As a consequence, each consumer is likely to receive a different experience. Service rendered varies from customer

to customer, and sometimes the services are rendered according to the needs of the customers.

In tourism service organization, people typically perform services, but they do not always perform consistently or the same as a machine (product) does. There may be variation from one service to another within the same organization or variation in the service that a single individual provides from day to day and from customer to customer. For this a good service management is crucial for an airline company. Poor customer reaction to a poor airlines service can be traced back to a poor service management. Similarly, many errors in service operations are one time failure i.e. the waiter who drops a plate of food in a customer's lap creates a service failure that can be neither foreseen nor corrected ahead of time (Hoffman & Bateson, 1997:34 and Reddy et al, 2002:28).

Quality of personnel – In tourism marketing most of services are handled by people i.e. in a hotel industry the service quality is generally influenced by staff and the services offered to the guests customers are substantially influenced by the quality of personnel. The housekeeper not managing bedroom properly, the waiter and related staff failing to maintain good quality service in restaurants and bars, the staff not decorating the rooms properly, the receptionists not showing empathy, etc would influence the quality and image of the hotel adversely (Jha, 1994:5). Hence, these are the basic things which must be taken into account while providing service to the customers. A receptionist holding a telephone for a long time will certainly spoil the image of that hotel in the mind of the customer waiting for their query (Jha, 1994:5).

2. 11 Tourism Development in Nepal

Tourism existed from the very beginning of human civilization. There could not have been any civilization without personal communication, exchange of views, interchanges of knowledge, experience and skills. Tourism has taken different forms and shape since its origin to till now. But, whatever form and shape it may be, it always remained inseparable from human civilization. Tourism in its modern concept originated in 19th century and become popular only after the 1930's after the advent of air travel. As Nepal is a place of ancient civilization, tourism could be found during the ancient period. We can find many old records and writings of that time describing tourism activities.

Mythology and geology agree that Kathmandu was once a big lake providing home to many aquatic animals and serpents. Saint Vipashvi, the first human Buddha is said to have visited this lake-side during the Satya Yug period (golden age) and is believed to have meditated in Jamacho at Nagarjuna hill. Mythology has it that Saint Vipashvi, on the full moon day of Chaitra (March/April) sowed a lotus seed into the lake which was showered with the heavenly light of God Swayambhu when the lotus was in full bloom. After six months, a lotus plant bloomed at the lake and the light of God Swayambhu, the primordial Buddha- Bailochana is said to have descended from the heaven and fallen into the lotus (Shrestha, 2000:101)

The amazing light emitting from this lotus attracted Manjushree, God of Wisdom, the pre-historic or the earliest visitor to this land. In order to build a shrine at Swayambhu hill, the site of the lotus, Manjushree, cutting a gorge at Chovar with his flaming sword of wisdom, is said to have drained out the lake thus making the valley inhabitable. Similar pre-historic visitors were Prince

Rama from Ayodhya in India, who visited Janakpur in east Nepal to wed with Mithila princess Sita in the Treta Yug.

Other early visitors to Nepal include Gautam Buddha, the enlightened one, in 5th century BC, Bhadra Bahu, the Jain Acharya and Emperor Ashok from Patalipura, India who visited Nepal to seek Gautam Buddha's blessings in 250 BC. He built Ashok stupas on four corners of Patan City and erected a pillar in Lumbini to commemorate that "there the Blessed One was born". King Bikramaditya of Ujjain (Madhya Pradesh, India) made a historic visit to Nepal during the rule of king Dharma Dev in 57 B.C. and influenced the introduction of Bikram Sambat (Era), the official calendar used in Nepal ever since.

The visit of Shankaracharya in the 4th century was marked with the development of Pashupati temple in the present shape. Chinese pilgrims from the north included *Fa-hsien*, in the 4th century AD and *Hsuan Tsang* in 5th century, who wrote their travelogue about Kapilvastu and Lumbini, the site where Gautam Buddha was born. During the 7th century, the king of Tibet *Srong-Tsang-Gambo* married the Nepalese princess Bhrikuti, who took along with her the images of Tara and propagated Buddhism in Tibet. Religious propagators Padma Sambhav is said to have visited Nepal in the 8th century. The first European to visit Nepal is said to be a Portuguese citizen Jao Kabral in 1628 A.D., followed by Christian Jesuit Father John Grewar and D. Arbel who visited during the regime of the Malla king, Pratap Malla (1641-1674). A Russian, Ivan Mainayev visited Nepal in 1875 to study Buddhism. In 1899, *Bhikchhu Ekai Kawaguchi* was the first Japanese to visit Nepal (Shrestha, 2000:102).

The Malla kings, who succeeded the Lichhavis in around 750 to 1480 A.D., gave a new turn to the country. The Malla kingdoms of Kathmandu, Patan and Bhadgaon were transformed into what might be called open-air museums of art and architecture. Almost all fine examples of art and architectures, the graceful pagodas, the shape of temple, palaces and ordinary houses, the prevailing customs of the various castes and the many festivals and Malla periods are still a living phenomenon and influence the life of the people with the same inspiration as they used to do more than four hundred years ago.

The Shah dynasty ruled over Gorkha in West Nepal, while the Mallas were having their heyday in Kathmandu valley. King Prithvi Narayan Shah of this dynasty was the first king to conceive the dream of integrating the whole of Nepal under one crown. To this end, he invaded Kathmandu Valley and owned a complete victory after 25 years in 1767. He united all the petty states lying in the different parts of Nepal. His single-handed unification of Nepal is the greatest achievement in the history of Nepal (Directory of Tourism, 1998:11).

After unification in 1950 B.S. king Prithvi Narayan Shah, introduced many reform in army organizations, foreign affairs, cultural activities, social system, economic conditions, religions and in trade. After the death of King Prithvi Narayan Shah, Nepal was ruled by his sons, King Pratap Singh Shah followed by King Rana Bahadur Shah and then King Girbanyuddha Shah. The process of territorial expansion towards the South initiated under King Pratap Shah, King Rana Bahadur Shah and King Girbanyuddha Shah put Nepal on a collision course with the British East India Company which was extending its hold over India. The war that took place in 1814 B.S. was concluded in 1816

under the treaty of Sugauli. It reduced the territorial extent of Nepal to almost what is now.

During the reign of King Rajendra Bir Bikram Shah, Jung Bahadur Rana rose to power and laid the foundation of an autocratic regime which lasted for 104 years. The door to Nepal was not opened to all the foreigners except for some British personalities who had to ask for permission from the government before their arrival. The foreigners were not allowed to visit the country. Only some of the foreigners were given the permission to do some kind of research works (Satyal, 1999:28).

Modern day tourism in Nepal began after the dawn of democracy in 1951A.D. when the country was opened to the outside world. Successful climbing of Mount Annapurna in 1950, Mount Everest in 1953 and the coronation ceremony of the late king Mahendra in 1956 with the assembly of a large number of foreign dignitaries exposed Nepal as a potential tourist destination in the international community. Tourism Development Board was then constituted in 1957 under the Ministry of Industry and Commerce and a full-fledged Department of Tourism in 1959; which in 1961 came under the Ministry of Public Works and Transport (Shrestha, 2000:102).

In the 1960s, the direct air links to Indian cities of Delhi, Calcutta and Patna made this land-locked country more accessible from the outside world and the number of foreign visitors escalated from 1,857 visitors in 1957 to 4,017 in 1960 and 9,526 in 1964. The increase in tourist arrival saw more rapid gain during the last three decades, jumping from 45,970 in 1970; 162,897 in 1980; 254,885 in 1990 and marked the highest number (491,506) of arrivals in 1999 in the history of Nepal. The resilient nature of tourism symbolizes a strong

achievement for a country like Nepal, which has undergone through a decade long internal conflict and also exposed to serve external shocks. However, the arrival of tourists in the country has crossed the level of half a million in 2007 for the first time in the history of Nepal (Tourism Statistics, 2006 & 2007).

2. 12 Review of Related Studies

In this section an attempt has been made to review previous studies on tourism with special reference to Nepal. There was no plan and policy regarding tourism in Nepal till 1950s. For the first time the written study on tourism was made on the late 1950s. In Nepal, a general plan for the organization of tourism prepared by French national George Lebrec, in 1959, was the first tourism plan which was prepared with the help of the French Government. In this plan, Lebrec has recommended to make brochures, posters, postage stamps depicting the Himalayan peaks and Flora and Fauna and the use of films and documentaries prepared by the mountaineering expedition for promoting tourism in Nepal and the establishment of separate Nepal Tourism Offices.

Later, George Lebrec visited Nepal in 1964 and 1966 and prepared two other reports on tourism entitled “Report on the Development of Tourism” and “Report on Tourism in Nepal.” In these reports Lebrec had recommended that tourism in Nepal had started growing at a faster pace.

In 1972, with an aim to run tourism in a planned way and formulating policy, Nepal Tourism Master Plan (1972), a detailed and comprehensive document about Nepalese tourism, was prepared with a joint cooperation of Bundesstelle Fur Entwicklungshilfe of Germany and Nepal Government of programs and

projects for ten years. The plan also included marketing programs to be conducted and the market segments of Nepalese tourism were identified as organized sight seeing, independent “Nepal style” tourism, trekking and pilgrimage.

Furthermore, the plan has emphasized for development of tourism outside Kathmandu such as the development of Pokhara, Chitwan and development of national parks at Langtang, Annapurna, Dhaulagiri and Khumbu. The development of pilgrimage centers at Lumbini, Muktinath, Barachettra and Janakpur was also envisaged.

The Master Plan had recommended for the establishment of a Ministry of Tourism and Culture embracing functions then found within the Department of Tourism, the Department of Archaeology, the Department of Culture, the Department of Forestry, the Ministry of Foreign Affairs and Immigration office.

‘Nepal Tourism Marketing Strategy 1976-1981’ prepared by Joseph- Edward Susnik started with the premises that:

1. As the stay of tourists cannot be prolonged for now; the number of international visitors should be increased substantially.
2. Images of secondary destinations like Pokhara, Lumbini and Chitwan should be built up.
3. Nepal should become a gateway for South and South-East Asia.

Nepal should become the starting of any Asian tour as it is the cradle of a religion and culture that influenced the history and life of the major parts of Asia. In his report, Susnik has suggested for the formation of Nepal Tourism

Marketing Committee as well as Nepal Tourism Infrastructure Committee with representation of private sector and the Department of Tourism be recognized into Nepal Tourist Office which should concentrate on the marketing and promotional activities abroad with an independent operational budget.

Dhungel (1981) made an attempt to analyze the economic impact of tourism in Nepal. The specific objective of his study was to analyze the trend, structure and composition of tourist arrival, to estimate the interdependence of the sector with some of the other sectors of the economy, to estimate the demand for tourism and to estimate the item wise expenditure on tourism in Nepal.

National Tourism Promotion Report 1983 was prepared by National Tourism Promotion Committee of 1981. Suggestions were also provided on marketing strategies and plans for tourism. It reemphasized the need for promoting Nepal Style Tourism as mentioned in the Nepal Tourism Master Plan which would include sightseeing, trekking, and wildlife adventure and which would promote Nepal as a primary destination. The major suggestions given in this report are to develop resorts in the mid mountains to encourage tourists from India during the hot Indian summer season, promotion in Europe be stepped up, special programs be designed for Buddhist pilgrims from India, depute a person in the Embassies of Nepal for promoting tourism, participate in various important trade fairs and to promote convention tourism.

Another report entitled “Study and Recommendation for Nepal Marketing Plan- A Marketing Task Force Report” (1983) prepared by PATA, in 1983, considered to be very effective marketing plan of tourism. The main recommendation mentioned in this report are the establishment of an

autonomous Nepal Tourism Promotion Board, to recognize responsibility by the private sector for all overseas sales activity, to engage overseas representation to conduct ongoing promotion and publicity for Nepal and to organize a research section to carry out market research on visitors to Nepal.

Nepal Tourism Master Plan Review (1984) has suggested action program for implementation for the promotion of tourism in Nepal. This study contains three parts. Part one gives a background to the 1972 Tourism Master Plan., Part two sets forth an updated set of policy objectives and a market development concept for the five years and part three provides action-oriented recommendations.

The study observed that active market promotion was the most important factor for the tourism development in Nepal. This study suggested various destinations oriented marketing programs. The major programs include:

- Developing a systematic concept of promotional material,
- Determining the quality standard for each individual product,
- Establishing representative offices in Western Europe, USA and Japan,
- Participating in selected tourism trade fairs,
- Offering familiarization tours to agents and journalists,
- Directing sales to tour operators from the county of origin without middleman from India, and
- Expanding the trekking possibilities

The conclusion and action-oriented recommendations of this study focused on improving the capabilities of the Ministry of Tourism to assume its responsibilities in tourism, institutionally, administratively and technically.

Nepal Rastra Bank (1989) carried out an econometric study with an objective to study and estimate the level and patterns of tourist expenditure in Nepal, to estimate the value-added and imports contents and thereby foreign exchange earnings from tourism in Nepal, and to estimate income and employment generation in the tourism sector of Nepal. In this study, regressions were run on the time series data as well as cross-sectional data for the period 1974-1987. The major findings of the study included tourism demand to be income inelastic in dependent variables, tourist expenditure and number of tourists, for the total time series analysis for the period 1974-1987. Tourist expenditure was found to be highly sensitive with respect to exchange rates, but the sensitivity of tourist arrivals to this variable was less. Country-wise time series regression for 14 countries gave mixed results.

Nepal Tourism Marketing Program (1990), a specific study made on tourism marketing, funded by Asian Development Bank, included some valuable suggestions on marketing. The main suggestions were as follows:

- ❖ The objective of marketing should be to reinforce the image of Nepal as a world leader and trekking as premium product,
- ❖ For sightseeing tourism, Kathmandu and the Himalayas must be established as a 'must see' premium product,
- ❖ Encourage travel agencies in generating countries to represent Nepal for information purpose also,
- ❖ Professional representation to be established in London, Japan, Hong Kong, Washington or New York.
- ❖ Seek technical assistance in marketing for best use of the funds.

Pokharel (1990) has also prepared a separate review article entitled "Summary of Past marketing Strategies and Plans for Tourism in Nepal" with description

of the studies and seminar reports related to Nepalese tourism marketing encompassing important studies and seminar proceeding with an emphasis on marketing of Nepalese Tourism. The basic tasks of 'Nepal Tourism Development Program (1990)' were stated as follows:

1. To review existing plans and policies and suggest modifications to provide a long term strategy for using the countries tourism resources on a sustainable basis, while satisfying an increasing number of visitors,
2. To prepare tourism development, action plans should also include the development of a commensurate institutional capacity.

Nepal Tourism Development Program (1990) consists of four reports. Product development program and marketing strategies have been defined in this study. For both trekking tourism and sight seeing tourism, the essence of the strategy is to establish Nepal as a premium product able to command the price of a premium product. The main marketing strategies initiatives for Nepal mentioned in the report were as follows:

1. To establish Mount Everest and the Himalayas as a "must see" attraction for any world tourist,
2. To establish Kathmandu as the unique mystic city within a valley of exceptional scenic appeal,
3. To establish Pokhara as the "Gateway Resort to the Himalayas"
4. To establish and promote a series of outstanding excursions for the ordinary sightseeing travelers.

Second Tourism Infrastructure Development Project (1995), provides a detail program for infrastructure development for Gorkha and Pokhara, institutional development and establishment of cultural village in Kakani, Kathmandu.

‘Report on Nepal Departing Visitors’ Survey’ (1997) and ‘Report on a Survey of Perceptions among influences’ (1997), conducted by MARG Nepal Pvt. Ltd. on behalf of UNDP Partnership for Quality Tourism Project aims to help provide inputs to develop a long term strategy for Nepal as a holiday destination.

The main conclusion of the reports was that Nepal continuing to be a major holiday destination with most of the visitors returning satisfied with their trip, and after having a pleasant experience, they were also intending to revisit Nepal. This study suggests upgrading essential facilities like cleanliness of the environment and transportation.

Another important study report entitled “Tourism Sector Development Project” (1997) include programme development for Kanchanjungha, Jumla, Sukla Phanta, Bardia, Lumbini, and Chitwan, development of standards for tourism industry and their implementation package. Marketing aspect of tourism not covered in this study. Besides, a number of studies in various other aspects and facets of tourism have been conducted.

Gurung (1990) has studied environmental management or mountain tourism. The study deals on the pattern of tourism activities, environmental impact of tourism, carrying capacity of trekking routes etc. This study has identified that deforestation in mountain region is caused because of over grazing, conservation to arable land and fuel wood extraction. Gurung thinks that the poverty of people is basically responsible for the negative effect on the environment. He has also paid his view over the toilet paper, packaging materials, plastic, tin and non-degradable materials which are commonly found around popular trekking routes.

Baskota and Sharma (1993) claimed that the tourism sector has been and will continue to be an important sector in the Nepalese economy for a long time. Although there has been a growth in tourist arrivals over the past two decades, the length of stay and real expenditure per tourist has not increased. In fact, the real expenditure has fallen over this period. The import leakage from this sector is very high, which implies the low level of development of import substitution industries in the economy. They assert that although the growth of tourism is desirable or say indispensable for the Nepalese economy, but first of all, it must identify how this growth should be made conducive for Nepal i.e. through attracting more tourists or increasing their stay or making tourists to spend more in real terms or by minimizing the import leakage.

Pollaco (1986) has studied cultural Tourism in Nepal in 1986. He stated in his report that historical monument and cultures of Nepal are an important attraction to many tourists and the better use of this sector will help more for the promotion of tourism in Nepal. He further suggested that intensive area should be taken for the protection of the cultural properties.

Hawkes (1988) has studied on tourism planning in Palpa district. He mentions that the overall unspoiled environment and cultural character of the area is a basic attraction for tourists. He says Tansen and surrounding areas can be developed as a hill resort for domestic and regional residents. Hawkes also shows the possibility of pilgrim tourism in this region. Finally, he says Tansen can be a good stopover for international tourists including those coming by land route from India, using the area as a base for trekking and rafting trips.

Sthapit (1998) reviews sustainability of mountain tourism in Nepal. He states that the tourism sector in Nepal has become foreign currency earner with

geometric rise in services category to tourists (Hotels, Travel, Agencies and Restaurants). Consequently some at the localities have totally changed like Thamel, Lakeside Pokhara, but the quality of service has gradually declined.

Tourism has gradually emerged as one of the major industries in Nepal. Though it is still in its initial stage of development, it is striving to be an ordinary agent of development and endurable medium to create various contributions. In fact, tourism can contribute as a channel for the socio-economic development of the country, as a massive foreign exchange earner, as a big generator of employment through its labour-intensive nature, as an endurable medium of infrastructure promoter of cultural harmony and peace (Dixit, 1997:49 and Bahuguna, 2005:137).

TGDB (1999) undertook a study on pre-feasibility study on developing model tourism village at Palpa district. In this study, Madan Pokhara, Tahoon, Arghali and Bhairabsthan village development committees were selected on the basis of their potential tourism product. The major task designated to the study team was to identify a particular village to promote it as a model village for tourism development. Based on the comparative advantages/strengths as historical and cultural significance; natural attractions; vicinity to Tansen and other villages; economic benefits to the local people; village setup; enthusiastic community; and the basic infrastructure being available the study team decided to suggest Tanahun village be developed as a model tourism village in the Palpa district.

According to the World Bank (2001) ecotourism (along with adventure and cultural travel) is one of the three types of tourism most amenable to community based initiatives. These niche markets provide especially desirable

“Customers” for culturally or environmentally friendly tourists as they spend more and stay longer at a destination than the average tourists, generating a higher yield but with less impact on the life of the community and on the local culture and environment. Community based tourism can generate a sense of pride in the local population and make funds available for maintaining or upgrading cultural assets (e.g. archeological ruins, historic sites, traditional crafts production) (World Bank, 2001).

Pandey (2005:31) has described that the tourism industry is very important for the economic point of view and at present the study of tourism has given much importance. It has touched upon these elements with their possible impact on host communities as well. The flow of tourists has increased tremendously than in the past due to the advancement of new technologies and the use of bigger aircrafts for traveling. But this has created a greater concern over matters like tourist activity and their impact upon the country’s resources. But most important for heritage, whether it is natural, cultural, sustainable tourism contributes to the conservation and protection of natural and cultural features, generates additional finance and creates public and local awareness of protected areas and the environment.

He further suggests that the heritage management must take into account local and national plans, especially for sites management, forecasts of demographic growth or decline, economic factors, traffic projections and industrial zoning and preventive measures to mitigate various types of manmade and natural disasters. He adds that for the successful protection and maintenance of cultural and natural heritage require continuous assessment, inventory, information management, research and administration. It is a process that guarantees a heritage survival as a sustainable resource.

According to the Pandey despite immense potential for tourism growth and market, Nepal still lacks the regional equivalence in the tourism development and income distribution. Tourism concentration in few areas and in few popular trekking routes has restricted the market, causing economic disparities among the people of inherent destinations. He suggests that tourism, like any other economic activity, has to be managed by both public and private sectors in accordance with sound marketing principles in order to make it more productive. He further adds that efforts of marketing have not only tried to inform prospective tourists, but have also induced potential tourists to visit the country (2006:99).

According to Dhakal tourism not only plays a vital role in the Nepalese economy, enhancing country's foreign currency earnings, employment generation, conservation, and promotions of historical, archaeological and cultural heritage, but it also provides opportunities to the downtrodden communities and expands public awareness to become involved in economic activities. Dhakal adds that the tenth plan of Nepal has acknowledged tourism as an important alternative of poverty alleviation of the nation and it is believed that the promotion and expansion of tourism to the newer domestic locations will benefit local organizations and individuals to join in this sector and claim for a judicious dissemination of revenue with a view to integrating the principle of decentralization and active involvement of local populace in tourism activities (Dhakal, 2006:104)

Basnet (2005:25) has shared his view about the tourism promotion method of Nepal. According to him, participation in international travel trade fair is important to develop tourism products and minimize the negative publicity about the country.

Niroula (2005:16) has expressed that a new concept about rural tourism (community based tourism) has spread worldwide in the field of tourism at present, and this concept has brought change in the traditional concepts and views on tourism apart from adding new dimensions in the sustainable development of tourism. He emphasizes that community based tourism can play a vital role in the reduction of poverty in countries like Nepal that are unable to utilize their tourist heritage for economic reasons despite of its ample possibilities.

Shakya (2008:35) expressed his view that tourism is a highly sensitive industry. On one hand, it is easily affected by external forces like insurgency, strike, hijacking, bombing and disease outbreak, and on the other we can not afford to have gold rush in an area which is both environmentally and socially vulnerable. He further adds that in future, we will have to focus more on conservation oriented program and sustainable tourism and practices.

Anand's (1976) doctoral work *Tourism and Hotel Industry in India* is based on an empirical study carried out both in India and the United States. The main problem of this is the examination of the reason for the poor tourist traffic in India and it also offers a system approach for arriving at key decision areas. The major objectives of this were to isolate and identify the various types of travelers, study the framework of tourists, decision making process of a visitor, analyze the nature of the tourist market and determine the significance of the tourist industry. The major findings of this study were tourism in Nepal was shown to be an effective and promising instrument for earning foreign exchange, but also one that requires high investments, both public and private.

Viet Burger (1978) has carried out a doctoral study on “The Economic Impacts of Tourism in Nepal: An Input-Output Analysis”. At the onset, the study has been considered as the first and important academic research work in the field of Nepalese Tourism. The underlying theme of the study was to define the importance of tourism and its various economic benefits for the country.

The study had two broad objectives (goals). The first objective was to present a case of the effects of the international tourism in Nepal based on the objectives of the periodical plans. The second objective was to provide the Nepalese policy planners with a set of information necessary for the political decision-making process. In addition, the study had some specific objectives such as to designate meaningful categories of tourist and to measure their respective impacts on the balance of payment and trade position and finally on the present and potential impact on agricultural production.

Kayastha, (1985) has studied on “Development of Tourism in Nepal for South Regional Tourism”. In his study, he has analyzed different aspects of tourism like tourist flow, expenditure and duration of tourist staying and economic impact of tourism. He has determined that natural as well as man made beauty and wild life are the major attraction for the majority of tourists visiting Nepal. He has drawn a conclusion that tourism is an important sector for income and employment generation in Nepal.

Ramamurthi, (1985) in his doctoral work aimed at to study the “Marketing Management of Hotel Industry in Delhi”. This study has done to find out the present market situation for the accommodation sector. The main objective of this study was to find out the existing marketing environment and analyze the

market site, profile and structure. He has recommended that tourism and hotel system, have to work in a complex environment, consisting of economic, technological, political, cultural and competitive and cooperative factors. The change in the environmental factors influences the market but can not be controlled by the manager of tourism/hotels. In order to survive the hotels devised internal structures and systems capable of identifying the threat that is of significance and converting them into opportunities.

Khadka's (1993) doctoral research work "Tourism and Economic development in Nepal" was to analyze the outcome of tourism development in Nepal in the late 1980s. This study was confined in two specific areas- the performance and efficiency of hotel investment in generating foreign exchange and the economic impact of tourism under limited supplying capacity. He used domestic resources cost criteria to estimate the economic efficiency of hotels in generating foreign exchange and at the sector level, an economy-wide input-output model used for measuring the overall impact of tourism and some modifications of existing models which are made to explain the impact of tourism under limited supplying capacity of the domestic sectors. His major findings were hotel bed occupancy rate, double bed room price and marketing activities are found to be important factors for the performance of the hotel industries. However, the economic impact of tourism was found to be lower than that of the other foreign exchange generation sectors.

Tuladhar (1993), in his doctoral work, aimed to study the "Development of International Tourism in Kingdom of Nepal" from the view of resources, the level of its explorations, utilizations and possibilities of its improvement. This study has been conducted against the background of the overall conditions and

its development including natural and anthropological resources, economic development of the country, tourists demand and tourists supply. To achieve the objectives of this study, a systematic method of investigation in the theoretical scheme was used. His major findings included the use of dispersion as a basic for the balancing of prognoses may promote foreign visitor's quality and the possibilities for attempt and contribution for the future development of international tourism in Nepal should work out alternative prognostic situations in unison with the extracted priority of the tourist supply and direction for their improvement.

Pradhananga (1993) in his doctoral work analyzed the "Changing Pattern of Tourist's Consumption and its Economic Impacts on Employment", exports and national revenue were made. The basic objectives of the study were to examine the consumption pattern of tourists to analyze the use of local resources in tourist consumption and their effects on employment, to probe into capacity utilizations of hotels in relation to the tourist's number and length of stay and to examine the change in government revenue resulting from the tourist export.

This study dealt with different tourism aspect that is, hotels and lodges, airlines, travel agencies, trekking agencies, carpet and garments industries and transport agencies working in Nepal. He suggested that different tourism related policies and sectors like infrastructure, open-sky policy, planning of new tourism project, opening of a new destination in the country, tourism marketing strategy, management of travel agencies, full capacity utilization of hotels etc, should be planned properly.

Shrestha (1998) had undertaken a doctoral research on “Tourism Marketing in Nepal” to inquire and assess the tourism marketing efforts initiated by Nepal as well as to examine the market potential of tourism, existing marketing policy and practices vis-à-vis tourism products and infrastructures and their contribution in the Nepalese economy.

Using both primary and secondary data through a field survey and interviews, he has tested various hypotheses (24) ranging from the estimation of influencing factors of tourist arrival to the assessment of difference between the importance accorded and actual experience gained by the tourists.

The major findings of the research were as follows:

- Nepal is extremely rich in tourism products because of natural, cultural and historical heritage wealth and products. It equally possesses tremendous diversities to develop it as a major tourist destination.
- Nepalese tourism has some specific features such as the major flow of tourists in autumn and spring seasons, the purpose of trip as holiday/pleasure, source of their information as friends/relatives and the largest numbers of visitors from India.

Shrestha (1999P) in her doctoral thesis with a title “Tourism in Nepal: Problems and Prospects” addressed the problems as follows.

Despite various efforts made for its development, tourism has not been able to develop as desired because the tourism sector has to face many problems. The main purpose of the study is to assess the problems in the tourism sector of Nepal.

The objectives of the study are given as follows:

- Assess the trend of tourism development
- Assess the role of tourism in the economy.
- Review tourism policies and plans.
- Enquire into the current problems of tourism

Pollution of environmental degradation, tourism products, tourism services, tourism process, infrastructure and others were the problems identified. According to her – experts are connected directly or indirectly with tourism sectors. Developments of tourism in Nepal are taken to be the outcome of the changes in political system after a long isolation of more than a century from the outside world. Since then, there had been phenomenal growth of international arrival in Nepal. So far as tourism products are concerned, the experts showed their resentment against the quality of tourism products. Cut throat competition among the services providers was the issue raised by the experts. They also perceived lack of proper coordination with the tourism industry itself, inefficient administration problem of the government and a drawback in the form of appropriate implementation of tourism policy in tourism industry. The experts assessed the frequent changes in the government especially after the restoration of democracy.

Paudel's (2000) doctoral thesis "Factors Affecting Demand for Tourism in SAARC Region" was related to the economic condition of all SAARC countries, their quality of life, export- import gap and intra regional imports and exports in SAARC. He had used econometric model for tourism through Ordinary Least Square method (OLS). The major findings of his study are SAARC has suffered from slow GNP growth rates and high population growth rates which are resulted in poor quality of life of the people.

Tourism is very significant sector for almost all countries in the region since tourism receipts occupy as a major component of their foreign exchange

earnings and provides jobs to the significant number of people, and contributes to the gross domestic products.

Sharma (2001) in his doctoral thesis “Tourism Development and Planning in Nepal” has focused on the economic benefits that could be reaped from tourism through continuous planned efforts. Tourism in Nepal has a strong relevance to economic but as a recent phenomenon, it has to find a distinctive role in the building efforts of the country. He adds that the entire approach to the development of tourism as a means of providing economic support has not been so far sufficiently encouraging therefore, the present study aims to suggest a new investment climate for a strong economic support for enhancing tourism development so that the level of income and employment may increase. Sharma’s study is likely to provide guidelines as to where and in which market segment the investment is to be made.

The main findings of this study are that there is domination of seasonality, tourism an import increasing factor and more or less a stagnant average length of stay which seem to be difficult to correct in a short period. The problems like much weaker trekking rules and regulations, administrative inefficiency and the absence of its coordination with tourism related institutions are supposed to be within domestic control. In addition, restriction over some areas (Manaslu, Mugu, Mustang, Humla and Dolpa), low occupancy led by over development of hotels in popular tourist places (Kathmandu, Pokhara and Chitwan), failure to deflect the trekkers visit only to the traditional pocket namely (Annapurna, Everest and Langtang region) and the absence of tourism infrastructure over there are also accountable limiting the development of tourism in Nepal.

Upadhyaya's (2003) Ph.D thesis "Tourism as a Leading Sector in Economic Development in Nepal" is based on the empirical and cross sectional approaches. Though the topic is a major concern for both developed and developing countries, it has not received adequate attention in Nepal. Thus, the study was expected to contribute for better understanding and successful implementation of the policies. In addition, it was intended to find out whether the impact of tourism has been beneficial in the true sense.

The major objective of the study was to examine the extent of tourism development and policy planning in Nepalese Perspective followed by some other specific objectives such as to analyze the growth pattern of tourism, to examine the effects of tourism on the economic development process, to study the expenditure pattern of tourists, to assess the institutional role for tourism development and to formulate tourism planning.

The study was an empirical in nature. It had mainly used secondary data both published and unpublished and statistical techniques like regression and correlation analysis. Major findings of the study were as follows:

1. Higher inflow of tourist also necessitated more trained manpower and increasing travel and trekking agencies. Thus, it has been found that the impact of tourist inflow has its positive bearing on hotels, air transport and travel, trekking and rafting agencies besides more trained manpower.
2. The analysis of sectoral behavior of the economy of Nepal has shown that higher inflow of tourists also necessitated more trained manpower and increasing travel and trekking agencies. Thus, it has been found that the impact of tourists' inflow has its positive bearings on hotels, air

transport and travel, trekking, rafting agencies besides more trained manpower.

3. The available patterns of tourist expenditure suggested that they spent mainly on accommodation, foods, sight seeing, beverages and trekking. These sectors shared 64 per cent of total expenditure in 1987-88. Tourist expenditure had a strong effect on government expenditure. The regression analysis showed a strong and significant inducement effect on government regular as well as development expenditure.

Maharjan (2004) has carried out Ph.D research on “Tourism Planning in Nepal.” In this study he has assessed the planning practices in terms of number of tourists and stagnant growth rate thus concluding it as inadequacy of existing planning resulting from improper and myopic planning.

The basic objective of the study was to inquire and assess the tourism planning efforts initiated by tourism institutions in Nepal. Other specific objectives were to examine tourism planning practices in Nepal and to evaluate the effectiveness of the tourism plans and programs.

The study was a descriptive cum survey research. It included both primary and secondary data gathered from the survey and from different interviews with officials, executives, executive members and experts involved in the tourism industry.

Major findings of the study were as follows:

1. Most of these institutions have been found practicing short term planning and generally lacking long-term vision and strategic thinking. The majority did not consult experts in planning, did not use

information feedback neither gave inputs nor paid attention for macro plans. Bureaucracy had dominated planning practices. It lacked research and was highly politicized and was based on adhocism.

2. Most of these institutions opined that political strikes (Bandhs) and inadequate budgets were the major blocking factors. In addition, other factors were the lack of competent human resources, weak infrastructure, rigid bureaucracy and an appropriate legal environment.
3. Micro level tourism institutions expected the government support for appreciation and rewards, participation of workshop especially in planning, consultancy and financial assistance. Moreover, they asked for the support of macro public sector organizations for reducing constraints, creating tax incentives, improving information service and establishing a tourism area.

Gautam (2006) in his doctoral thesis entitled as “Tourism Financing in Nepal”. In this study, he has assessed the magnitude of tourism financing, structure, pattern and the indicators of financing as well as its effective utilizations.

In this study, he has accessed the assessment of tourism financing from both demand and supply side.

The basic objectives of this study were to enquire about the scope and inter-linkage of tourism and tourism financing, as well as the economic impact of tourism and tourism financing.

To enquire about the supply of tourism financing from various sources such as the budget allocation of the government, foreign aid and loan disbursement, and to enquire about the role and impact of foreign exchange earning from tourism, the total number of tourist arrival, the total number of tourism businesses, the total number of trained human resources and the total number of hotel beds and its contribution to the economic growth of Nepal.

The major findings of this study were as follows:

1. The largest number of tourists was found to be visiting Nepal only for recreational purposes. However, the trend is changing over the years.
2. He has also mentioned that a tourist visiting for adventure is important in terms of both the duration of stay and the foreign exchange income. The tourist visits to far distant places, generates employment for the local people and use of local goods and services during the visit. This has a multiple economic impact in the economy.
3. The length of stay has remained stagnant over the years. It is the main reason why accommodation business is suffering a growing loss, and could not generate sufficient revenue.

Another scholar Gurung (2006) in his doctoral thesis entitled as “Mountain Tourism in Nepal – its role in Nepalese economy” attempts to find out the role and the economic impact of mountain tourism sector. The main objective of his study was to find out the role of mountain tourism. For the attainment of this study there are other supportive objectives- they are to assess the trend of mountain tourism development, to analyze the impacts of mountain tourism, and to analyze the programs, policies, and institutional arrangements of mountain tourism.

The main findings of his studies are;

1. Trekking and mountaineering are the second activity in the country and from the view of the length of stay of a tourist in Nepal, mountaineering and trekking tourism is the appropriate medium.
2. Trekkers and mountaineers visiting Nepal were moderately satisfied with the some aspect of tourism like international airline and domestic airline services, immigration procedure, shopping facilities, and currency exchange and rescue services.
3. It was also found that the government policy, pollution control, safety and security, marketing and services are highly important factors to attract more trekkers and mountaineers in Nepal, and the majority of respondents were found to be unsatisfied with the present royalty fee regarding mountain tourism.

2. 13 Conclusion

In the first part of this chapter, the researcher has reviewed the literature on various theories of tourism and introduced a brief historical development of tourism of Nepal.

This study shows that ‘travel’ is as old as human civilization and it is natural for human being to travel to different places to satisfy their desires. In old age tourism has been looked at as a journey, pilgrimage and adventure, while in the modern age, travel has become ‘tourism’ i.e. activities provided by an increasing number of personnel involved directly, and indirectly in the travel sector to satisfy the needs and desires of the visitors. .

There are different views regarding the definition of tourism. Some say that tourism is traveling for recreation and some consider tourism as a system consisting of four interrelated parts i.e. market (area where the potential buyer and seller interact with each other to sell and buy the products and services), travel – is related to activities of tourists for entire trips, destination is a place where visitors can enjoy with its features, and satisfy the desires and finally destination encourages people to travel through the process of marketing. Therefore marketing is the process that stimulates and satisfies the need of the human beings. It is an integrated effort to satisfy the tourists by making available to them the best possible services. To sum up, tourism is an experience rather than a good.

Tourism may be domestic as well as of international. The person who travels within the borders of his own country for leisure, pleasure and recreation and business is called a domestic tourist, and the activities of the domestic tourist are called domestic tourism. On the other hand, the international tourism involves the movement of people among different countries in the world, and a person who goes outside of his / her own country for leisure, pleasure, recreation, business etc is called international tourist.

Marketing of tourism means marketing a service, this means marketing something intangible and it is marketing a promise. Being a service oriented industry, the marketing management of tourism should consider that the distinguished characteristics of tourism products are mostly services oriented (hotel, airlines, travel and trekking guide etc) and highly perishable, inseparable, intangible, heterogeneous and the ownership is non – transferable.

Tourism in Nepal has taken different forms and shape since its origin to till now. However, the modern day tourism in Nepal began after the dawn of democracy in 1951 A.D., when the country was opened to the outside world such as, Nepal's expanding diplomatic relations, membership of the United Nations Organization and other world organizations and the far reaching expeditions by mountaineering teams from different parts of the world. Besides this, the development of direct air links to Indian cities of Delhi, Calcutta, and Patna in 1960 increased the accessibility of Nepal to the outside world. Similarly the establishment of different star hotels, and the formation of different private associations i.e. travel association and Nepal mountaineering associations in the mid 60s and the extension of air links to different places i.e. Dhaka, Hong Kong, Singapore, Osaka, Bombay and London in late 1980s and 1990s had greatly facilitated the tourist flow in Nepal. The number of international visitor's arrival escalated from 254885 in 1990 to 491504 in 1999. However, due to the internal as well as external disturbances have led the fluctuation in the number of tourist's arrival till 2006, while after the improvement of the political condition, the tourist arrival in Nepal crossed the level of more than half a million (526705) in 2007 for the first time in the history of Nepal.

In this part to explore views, knowledge and ideas, the researcher has studied various important theoretical foundations of tourism and relevant literature on Nepalese perspective. Similarly, various publications carried out by different planners, researchers, experts, academicians, professionals and foreign experts published in national and international publications theories were deduced.

The present study is different from others in various forms. Generally, the present study deals with the tourism marketing as a service marketing and it is more concerned with the customers satisfaction through improvement in the quality of tourism products and services.

CHAPTER THREE

Tourism Products of Nepal

3.1 Introduction

The nature of tourism product is different from physical product. It is the most important and crucial part of tourism. It is the product which motivates tourists to visit and experience certain things in certain destinations. The nature and features of tourism products are also described briefly in this chapter. The status of present tourism products and services of Nepal and its major strengths and weaknesses along with opportunities and threats have also been considered. The researcher has also tried to mention the views expressed by different writers and scholars about tourism product.

3.2 Tourism Product: Concept

One of the most important and crucial part of tourism marketing is the tourism product, which motivates tourists to visit and see certain things in certain destination. Different scholars have expressed their views about the concept of tourism product.

Mitchell (1979:256) analyses the tourism product in terms of its demand and supply complements. He argues that the demand for tourism is a function of characteristics of the individual tourist such as their income, age, motivations

and psychological makeup. These factors variously affect their propensity to travel for pleasure, their ability to travel, and their choice of destinations. The demand is also a function of characteristics, satisfaction and spending.

Gunn (1994) also analyses the nature of demand and supply of tourism product. The demand comes from people in the travel markets who have interest and capacity to travel. The markets are segmented on the basis of varied interests of the consumers and on factors like age, financial status, religion, sex, and activity preference. The supply side contains the attraction services, promotion, transport and information. The demand and supply need to be balanced to achieve equilibrium. The task of balancing the demand and supply is one of the foremost tasks of tourism policy.

Medlik and Middleton (1973) cited in Smith (1994:584) conceptualizes tourism product as a bundle of activities, services, and benefits that constitute the entire tourism experience. The bundle consists of five components, destination attraction, destination facilities, accessibility, image and the price. Meddleton (1989) believes that the term tourism product is used in two different levels namely, the specific level, and the total level. At specific level is the concrete product offered by the individual company like air transport or the travel agent, and at total level is the complete experience.

According to Jha (1994: 178) the tourism product can only be experienced and it has some unique features. We consider it a service product which is perishable. Here the actual customers directly come to the centers for pleasure. The tourists or users of services need a host of services. Besides, the providers or suppliers are a heterogeneous group of people. Or say, the providers are uncoordinated but they are required to make active efforts for getting a

coordinated result. Hence the success of tourism industry is governed by the integrated efforts of providers.

Bhatia has also expresses that tourism marketing and marketing in general both emphasize consumer orientation and satisfaction. The concept of consumer orientation makes it necessary to understand the components of the tourist product from the point of view of the consumer. The product for the tourists covers the complete experience from the time he leaves home to the time he returns back. He emphasizes that availability of a product is the prerequisite in the marketing function. So a product is defined as the 'sum of the physical and psychological satisfaction it provides to the buyer'. Marketing by definition is the 'development of a product to meet the needs of the consumer and then employing the techniques of direct sales, publicity and advertising to bring this product to the consumer'.

Bhatia further adds that in the case of tourism product, the basic raw materials would be the country's natural beauty, climate, history, culture and the people. The other aspects would be the existing facilities necessary for comfortable living such as water supply, electricity, roads transport, communication and other essentials.

In other words, the tourist product can be seen as a composite product, as the sum-total of a country's tourist attractions, transport, accommodations, and of entertainment, which hopefully result in consumer satisfaction. The tourist product can be entirely a man-made one or nature's creation improved upon by man, and each of these components of a tourist product is supplied by individual providers of services like hotel companies, airlines or other

suppliers, and is offered directly to the tourist by them (Bhatia, 1997: 142-143).

According to Ioannides and Debbage, (1998), tourism product are not just physical objects or services but also the other materials that constituted tourism person, places, organization and ideas. They added that it can not be generalized and sold in isolation, rather than it is evaluated in terms of its attraction, facilities and accessibility or its cost.

According to Cooper et al (1993) a tourism product is anything that can be offered to a tourist for attention, acquisition or consumption. It includes physical objects, services, personalities, places, organizations and ideas. Generally, a tourism product is designated as an augmented product, which is the totality of benefits that the person receives or experiences in obtaining the formal product, i. e. the physical object or services offered to the target market. Thus a tourism product is an amalgam of what a person does and experiences, the services he uses and the products he purchases during his trip, as for example some of these elements may be the services of the travel agent, hotel accommodation and catering, transportation, advertisement and other tourist services like gift shops. All these elements comprise the tourist product., which are either sold as a package (including many products) or assembled (purchased individually) by the tourist himself or his travel agents (Cooper et al, 1993) cited from Upcoming Tourism Products of Nepal – NTB, 2002.

Similarly, Pandey(2004) has expressed that tourism product is a make-up of different components. Tourism product is the final experience that travelers get out of one whole destination. In other words, tourism product is the

experience felt by the travelers; it is the psychological experience of a traveler (Pandey, 2004:6).

Seaton (1999:112) expresses that tourism constitutes such products that it has to be seen in terms of sectors rather than a single industry comprising the following elements:

1. Accommodation sector: which comprises hotels, beds, and breakfast, self-catering camp site, etc,
2. Attraction sector includes museums, galleries, theme parks, festivals, etc,
3. Transport sector covers rail ways, cruise lines, ferry companies, airlines, car hire, etc,
4. Travel organizers sector encompasses tour operators, travel agents, booking agencies, etc,
5. Destination organization sector contains national tourist offices (NTOs) area tourist boards, chambers of commerce, local authorities, etc (Seaton, 1999:112).

According to Stevens accessibility is an important element of tourism product. He states that whatever is the quality of tourism product, as for example, a good scenic place, view, temple, if there is no accessibility of transportation, time and effort then there is no possibility of reaching at the destination. So accessibility is that factor which makes possible the tourists to the attraction. It is a function of availability of time, effort, and distance. It is said that different market segments require different levels of accessibility (Stevens, 1991:99).

Peters (1969) has given an inventory of the various products, which are of significance. He has classified the attractions in five categories.

Table 3.1 Peters's Inventory of Tourist Products (Attractions)

1	Cultural	Sites and areas of archaeological interest, Historical buildings and monuments, places of historical significance, Museums, Modern culture, Political and educational institutions, Religious institutions
2	Traditions	National festivals, Art and Handicrafts, Music, Folklore, Native life and customs.
3	Scenic	National parks, Wildlife, Flora and Fauna, Beach resorts, Mountain resorts.
4	Entertainment	Participation and viewing sports, Amusements and recreation parks, Zoos and Planetariums, Cinemas and Theatres, Night life, Cuisine.
5	Other attractions	Climate, Health resorts or spas, Unique attractions not available elsewhere.

There are various products which attract tourists. The major potential attractions are briefly mentioned here in order to develop a conducive and comprehensive package for tourist development.

Natural resource is one of the most important tourism products of Nepal. Generally, every country of the world possesses varying natural attractions. Natural attractions resulting from climatic, physical and ecological features are more prominent and widespread in Nepal. Natural beauties of Nepal are unique in kind than those of other countries in the world.

One of the most important and crucial part of tourism is the tourism product. It is the product which motivates tourists to visit and see certain things in certain destination (Singh, 1994:99).

Nepal is a mountainous country; the divergent geographical feature has endowed her with various attractions and richness. It is amazing that within a short distance there is so much diversity and variety. The unprecedented distribution of the world heritage sites within a short distance (seven sites within the distance of around 20 KM) is also amazing. Moreover, friendly people of different cultures are always ready to offer fascinating glimpses of traditional rural life and to provide lifetime expenditure for the tourists. The visitors from all over the world experience exotic life style while searching for the Shangri-La (FNCCI, 1996:9).

Like many other products tourism itself is not a total product. One can not have its utility in isolation. This product is a component of a system based product which includes airlines, airport services, immigration, , besides core tourism components, such as hotel, sightseeing, natural and cultural interface, expedition golfing etc are interdependent, and looked upon as a total product which helps the development of the entire economic system and tourism sub-system (Shrestha, 2006:5)

3. 3 Tourism Products of Nepal

Nepal is rich in ecological resources. Ecologically, Nepal is divided into three regions, i.e. (a) The Mountain Region (b) The Hill Region and (c) The Terai or plain region, running east to west and all those regions have their own tourist

attraction and products are capable of alluring visitors of different taste and segments.

3. 3. 1 Ecological Resource

The Himalaya

The mountains are the main focal point for the international visitors. Nepal is famous for its Himalayas, with many high peaks, beautiful and attractive mountains. Peaks like Mt. Everest (8848 m), Kanchenjunga (8598 m), and Dhaulagiri (8137m) are found here and sparse vegetation is found up to 4500 m. Although rare, the snow Leopard and Danphe bird are much talked about sights among visitors. Out of thirty-one mountain peaks over 7600 meters from all over the world, twenty-two of them lie in Nepal. Furthermore, among the fourteen snow-topped mountains over 8000 meters in height in the world, eight are located in Nepal (DOT, 1991:5 and Nepal Traveler, 2006:10)

The Hills

Kathmandu, the capital of Nepal is located in the hill. During summer the temperature reaches an average of 32 degrees Celsius. Winters are cold with temperature reaching 1 (one) degree Celsius sometimes.

The Terai

The Terai provides excellent farming land and the average elevation of flatlands is 100 to 300 feet above the sea-level. Sub-tropical forest areas, marshes, and wildlife which include the Royal Bengal tiger, one-horned rhino, and the Gharial crocodile are found here (Nepal Traveler, 2006:10).

River System

There are many rivers, lakes, and ponds in Nepal. The rivers of Nepal run in north-south direction corresponding to the southward slope of the geographical layout of the country. Nepal has three main river systems, namely, the Koshi River in the east, the Gandaki River in the central and the Karnali in the west. Among them, Koshi is the greatest river and the Karnali is the longest (DOT, 1991:9).

Flora and Fauna

Forest is another major natural resource which has tremendous potential to attract many people of the world. Flora and Fauna both are rich and varied in Nepalese forests due to altitudinal and climatic variance. Extreme biodiversity is noticed and vegetation types range from alpine to tropical nature making Nepal extremely rich in biological and genetic resources indicating its potentiality as a major tourist attraction.

The bio-diversity of Nepal has made it the home of many species of mammals and birds. Many species of wildlife and birds are available in different places of the country and they roam in the low land forest include tigers, leopards, bears, deer, wild elephants, wild buffaloes, one horned rhinoceros, etc.

3. 3. 2 Social and Cultural Aspects

Another important factor attracting tourists are the social and cultural wealth of a country. The Nepalese culture is remarkably rich and fascinating. One of the specific features of Nepalese culture is religious harmony between the Hinduism and the Buddhism. On the other hand there is always unity on the cultural diversity of people of Nepal. Although there is diversity in religion, ethnic language, customs, lifestyle, traditions, and folklore of people, a

plethora of colorful fairs and festivals celebrated over the year provides a feast for the eyes. These fairs and festivals are accompanied by various forms of music and dance.

It is said that Nepalese people observe more festivals than there are days in the year. Most of the Nepalese festivals are of religious as well as social values and although it may be of Hindu or Buddhist origin it is celebrated in common by the people with enthusiasm. Nepal is recognized as a country of multilingual, multi religious and multi-ethnic society (Choegyal, 1994:111).

3. 3. 3 Art and Sculptures

Art is a mirror of the past society and the culture through which the development of human civilization of that particular society or a country could be better understood. In the history of Nepalese culture and civilization, the role of art is very significant. The art and architecture of Nepal is inspired by Hindu and Buddhist religion and culture. Nepal is famous and unique in the world in the field of arts, crafts and architecture. Actually it is said that Nepal is a land of many temples and houses of gods and goddess, gallery of ancient sculpture, painting and architecture.

Arts and sculpture is an important tourism product. In Nepal, art and architecture have developed since ancient times. The Kathmandu Valley and many other parts of the country are endowed with such arts and sculpture.

The Pagoda Style temple is Nepal's unique architectural contribution to the world. Another important style of architecture of Nepal is represented by the stupas which are known as Chaityas also. Shikhara is also an important but less commonly seen architecture in Nepal.

3. 3. 4 Adventure

Natural scenario, landscape and physiographic are main products of Nepal for attracting the foreign visitors. The country's mountainous and hilly regions offer some of the most spectacular trekking routes in the world. While the high Himalayas make up Nepal's northern region, the southern lowland known as the Terai is covered with dense tropical jungles teeming with diverse wildlife and exotic birds. Nepal is one of the most important adventure sports. The event of 6th Tenzing Hillary Everest Marathon concluded on May 29, 2008 at Namche Bazaar, Solukhumbu. (K.C., 2008:14). Nepal has earned a reputation as one of the best destinations in the world for white water rafting.

Another adventure tourism product is hot air ballooning. The adventure of hot air ballooning is now available in Kathmandu. Mountain biking is a fast way to see rural Nepal. There are many mountains mud tracks that have created a paradise for the action biker. The ultimate thrill of a bungee jump can now be experienced in Nepal. Ultra light aircraft flight is available for sightseeing tourism in the Pokhara Valley. Paragliding in can be a truly wonderful and fulfilling experience for the adventure seekers (NTBwww.welcomenepal.com)

3. 3. 5 Fun and Entertainment

A variety of tourism products are available in Nepal. This ranges from botanical gardens, sight-seeing spots such as Nagarkot, Dhulikhel, Daman and Kakani, and limestone caves.

Casino- Earlier, Nepal was the only country with casino facility in South Asia. However, these days many countries are trying to establish similar concept of entertainment. People from different countries can enjoy in the casinos of Nepal. All five star hotels have a provision of Casino.

Honeymoon- Nepal residing in between two giant countries like China and India also offer tremendous opportunities for honey moon programs and provides an image of ultimate destination for honeymooners (Baral,2008;225). Similarly, amusement and recreation parks, zoos, cinema and theatres, night life and cuisine are also valuable tourism products of Nepal. (Pandey, 2008:1)

3. 3. 6 Attractive Places

There are many varieties of places in Nepal. This ranges from sightseeing spot to mountaineering and trekking to pilgrimage.

Pokhara is a popular tourist destination for the domestic as well as international holiday makers, offers a variety of natural and cultural products to the domestic as well as international tourists. Its natural ambience allows enjoying lakeside tranquility and breathtaking views of magnificent mountains such as Machhapuchhare, Dhaulagiri, Manaslu, and Annapurna at the backdrop of Lake Phewa. Pokhara leads the way to northern routes to Kagbeni, Marpha, Mukti Nath, Jomsom, Manang, Tilicho Lake, Mustang, Thorung-La, the Annapurna Circuit, the Annapurna Sanctuary and the Kali-Gandaki Gorge, the deepest in the world (NTTR, 2007:24).

Royal Chitwan National Park is one of the best and most developed tourist areas of Nepal. It is one of the largest and third major tourist destinations. It comprised a large number of important biodiversity, endangered mammals including one –horned Rhinocers, Bengal Tiger, Asiatic Elephant, Sloth Bear, Giant Hornbill and reptiles like the Gharial, Crocodiles and other endemic flora and fauna(Tuladhar,2006:28).

Gorkha is a scenic hill town with great historical significance. Great King Pritivi Narayan Shah, who unified the Kingdom of Nepal during the

eighteenth century, was born in the township of Gorkha. It offers a panoramic view of snow-fed mountains and this beautiful township has always remained as the center of attraction for many Nepalese as well as foreign visitors. On the beautiful ridge southeast of the township of Gorkha lies the holy temple of Manakamana, the holy goddess of aspirations. It is a famous pilgrimage site for Hindus.

The famous temple of *Muktinath* lies in the district of Mustang. The temple is situated on a high mountain range and is visited during fair weather. During the festival of Janai Purnima, Hindu devotees gather here to pay homage to lord Muktinath. Another famous temple of Jwaladevi, the goddess of flame, is situated about hundred meters south of Muktinath.

Lumbini is a holy ground for Buddhists all over the world. The restored garden and surroundings of Lumbini have the remains of many of the ancient stupas and monasteries. A large stone pillar erected by the Indian Emperor Ashoka in 250 BC bears an inscription about the birth of the Buddha. An important part of Lumbini is the temple of Maya Devi. Besides its religious and historical significance, Lumbini offers cultural insights into the village life of southern Nepal (NTB- www.welcomenepal.com).

3.4 Analysis of the Tourism Products and Services of Nepal (Major Strengths and Weaknesses, Opportunities and Threats)

3.4.1 Strengths of Tourism Products and Services

Geographical wonders - Nepal is one of the world's most incredible countries filled with geographical wonders and ethnological enigma. This is the home of about 25.86 million (C.B.S. 2005/06) Everest is the world's highest peak (8848 meters) and many other mountains including eight of the world 14 highest (above 8000 meters) peaks are present in Nepal.

UNESCO World Heritage Sites in Nepal (1972) – United Nations Educational Scientific and Cultural Organization passed a convention to protect the natural and man made heritage of the world. Nepal became the member of the Convention in 1978 and in 1979, seven monuments of Kathmandu Valley were inscribed upon the world heritage list under the terms of the UNESCO convention concerning the protection of the World's Cultural and Natural Heritage like – Sagarmatha National Park, Chitwan National Park and Lumbini.

Nepal is visited for various reasons among which the natural attraction exerts a great drawing power. The magnificent diverse landscapes and rich cultural heritage have contributed to the rapid growth of tourism in Nepal.

Favorable Climate- The climate of every month of Nepal is favourable for the visitors. She offers a unique destination of great climatic diversity, diverse ethnic group, rare variety of wild animals, birds, flora and fauna, eye soothing

scenery, and majestic snow clad mountains. Due to its vast but unique tourism potentials, Nepal offers an ideal destination to suit the taste of all kinds of visitors (Bentor, 1993). Singh (1991 b) claims that a visit to Nepal will not be regretted by the tourists. He further adds that to the nature lovers, Nepal has many short and long treks, where the beauty of the magnificent Himalayas with typical and eye catching mountain views, high snowy passes and beautiful valleys lying scattered all along the trekking routes. Besides this, some species of flora and fauna are only specific to Nepal.

Land of Gorkha- Nepal is equally famous as the land of Gurkhas. The Gurkhas of Nepal have earned name, fame and prestige for Nepal as the bravest soldier in the world and the reputation for the valor, grit and loyalty. Their motto is “it is better to die than to be a coward”.

Art and Architecture- One of the strength of tourism products are the history and architecture of Nepal. Art is the mirror of the past society. Nepal is famous in the world in the field of art, crafts and architecture.

Uniqueness- On the account of uniqueness Nepal can be a centre of attraction to the world as refreshment to their loneliness, and tourist can experience the heavenly joy and peace among the people with a simple life style and high thinking.

Mystical Country- Nepal has been known a mystical country where people can become a part of the experience. The people of Nepal are very hospitable, friendly, simple, honest, innocent and helpful to others. The warmth, the gentleness, the pride of Nepalese are depicted by on every street of

Kathmandu, every corner of the Terai, and from the Himalayas to Pokhara, North to South of the great country, (Migliari, 2008, Business Age, 2001:30).

Cheap destination- It is also said that Nepal is a cheap destination compared to other countries. One can travel and enjoy in Nepal even by spending a small amount of money. Nepal has offered different standards of hotels, lodges and restaurants and the means of transport are also varied. However, the transportation fare and charges of star and non star hotels, restaurants, lodges and guest houses are found to be minimum compared to other South Asian countries.

Religious Harmonies- Religious practices are an important part of the lives of the Nepalese people. Especially, Hinduism and Buddhism, the two main religious harmonies are found in Nepal. It is a country where Hindus preach Buddhism and visit Buddhist Vihars and Stupas and so are the people. The cultural heritage, shown in its Hindu temples and Buddhist Stupas, the diversity of language spoken, the differences of mountain, hillside and valley folks just makes Nepal one of the most interesting places to visit in the whole world, (Migliari, 2008:36).

Attraction- The study shows that about half of the UK's visitors will have visited Nepal before. They have expressed that they would like to visit Nepal due to the attraction of culture, nature and heritage. Similarly, Nepal attracts very high repeat visits from Japan, Germany, USA and Canada. They seek undiscovered and non-commercial place where they can return to Nature.

Sharpas-The history of Nepal tells that Sherpas are known as one of the gracious and the best known tribes of Nepal, living a tough life in the valleys to the North of the Mount Everest till Helambu in the west. The Sherpas also

known as “the Tigers of the Snow” live in the Himalayan regions up to an average altitude of 4570 meters. They have a suitable disposition to work as alpine porters and guides in mountaineering expeditions and they are known as the world’s most famous climbers (Dangol, 2008).

Famous Destination for holiday, trekkers and mountaineers- Nepal is a famous destination for trekkers and mountaineers. The reports show that (Nepal Tourism Statistics of various years) the number of trekkers and mountaineers have increased slowly during the last few years. Even in the difficult situation of Nepal, people from different countries have traveled to Nepal for the purpose of trekking and mountaineering.

Shopping of Unique Handicrafts and Souvenirs- Nepalese artisans are well known for hand made products since ancient times. Nepalese handicrafts are renowned for craftsmanship. They consists of wood carving, stone works, silver, bronze and brass art works including gold and silver plated, thanka paintings, potteries, jewelleryes, masks and household utensils.

Facility of Casinos- In Nepal there is also the facility of casino for the casino players. Nepal is regarded as famous destination for casino lovers. Every year basically, visitors from India, China and some other countries come to Nepal for this purpose and have and entertainment.

Nepal attracts visitors for sport tourism- Due to her different bio –diversity, people from different countries come for sport tourism like mountaineering, mountain biking, cricket, golf and others. Similarly, special interest of tour facilities like bird watching, archaeological, botanical, zoological tours, honey hunting are also the important strengths of the tourism products of Nepal.

3. 4. 2 Weaknesses of Tourism Products and Services

Land Locked Countries- Though Nepal is a small and beautiful country, it has a major weakness that it has possessed no beaches or island, as of Maldives and no Cruise ship access. It is completely a landlocked mountainous country which lies in the southern part of the Himalayas and India and northern part of the China, and it has to fully depend upon India and China and there is no other means of travel except by land and air route.

Agriculture is the main economic activity- Nepal's main economic activities are agriculture, followed by manufacturing, trade, and tourism. About 80 % of the total labour is engaged in the agriculture sector (NRB, 2004).

Pollution- Pollution of air, water, noise and garbage is one of the major weaknesses of tourism. There is a growing concern that Kathmandu, the capital city of Nepal has been losing its tourism appeal. In most of the busy roads of Kathmandu valley, due to the excessive noises and smoke emission from vehicles, have made the life of city dwellers as well as tourists miserable and there is a serious traffic problem in the main streets of the valley.

Environmental Degradation – Environment and tourism are interdependent. They support each other. If there is no congenial environment, tourism development and promotion will be hindered. Unless the environment is conserved, the tourism industry has very little room to expand. Environmental degradation especially in Kathmandu due to the untimely collection of garbage by municipalities as well as the practice of throwing garbage and waste materials and littering on the roads by the city dwellers have made the quality tourists embarrassed greatly and they wish to shorten their tour in Nepal.

Absence of sufficient marketing and promotional activities - Compared to other countries due to the budget constraints it is also one of the hurdles of tourism development. Due to the lack of sufficient budget, Nepal has not been able to utilize CNN, BBC, ZTV, Star Television facilities as desired. These days only the internet, CD-ROM and Web Sites are used for promotional purposes. Market research is very important to find out the actual needs and wants of the tourists as well as to solve the problems which have hindered the development of tourism. The study also shows that the amount allocated for research is insufficient.

Over-crowding of tourists- Though Kathmandu, Pokhara, Chitwan, Lumbini, Nagarkot and Sagarmatha National Park are the most visited areas of the country for the tourist however, Kathmandu valley has become more polluted and congested than ever- before (NTTR, 2004:29).

Limited Tourism Infrastructure- It is obvious that the access of roads to potential tourist spots is extremely limited. Therefore, the road network should be well developed to diversify the tourism industry. There is also the problem of air seat capacity and lack of direct link with the major tourist generating markets in the world. There is no reliability of services of Nepal Airlines. Regarding the domestic airline services, the government supported airlines (NAC) is still unreliable and incompetent due to inappropriate management. Moreover, the majority of domestic airports lack adequate physical infrastructure and navigational aids and thus it signifies poorly equipped airports. Safety standards are low. Maintenance has been inadequate and many airports in remote areas are not operating.

Insufficient Standard Accommodations- Another problem impeding the proper development of tourism in Nepal is concerned with provision of good hotels in different parts of the country. In some of the places tourists are compelled to have rest and to have unhygienic food served by the low standard hoteliers.

Cut-throat competition - Cut-throat competition among the service industries i.e. hotels and travel agencies for survival have become a common phenomenon in the tourism industry leading to competitive price cutting at the cost of the quality of service. This has made Nepal a cheap tourist destination.

Lack of clear vision - It is really a serious issue regarding the weaknesses of institutional infrastructure. It is not found with a clear vision to develop tourism in a sustainable manner.

Tourist safety – It has appeared as the number one concern for tourism development. Assured safety, in terms of crime, theft, murder, terrorism, harassment, natural disaster, health hygiene, sanitation and environmental hazard is the key factor for tourism development. Nepal does not have a good track record in tourist safety. Though Nepal is a peaceful country, the unstable political situation and uncertainty, unrest happening in Terai, attack on the press and media, murder and threats are really creating an obstacle which will make travelers and tourist think that, it is not the right time to travel. As a result, they do not want to take risks while traveling (Rayamajhi, 2008:39)

Lack of trained workers- Trained workers on the other hand were considered to be crucial for improving the quality of service to the tourists. There are various institutions which train workers as NATHAM produces trained

manpower for various sectors of tourism. Their quality does not seem to be satisfactory for a higher level of profession.

Insufficient Professional Tourist Guide- Another important factor which is very important is the service of tourist guides. Some of the tourists experienced that tourist guides were not competent to attend to the queries of inquisitive tourists about art, culture, and history of the country. Tourism is greatly made useful to the tourists, if they have the manpower of those who are well versed in the knowledge of different things and have the ability to explain in an interesting, convincing manner. Thus study shows that there is the absence of a technically sound workforce in the tourism field.

Language Problem- Lack of knowledge about the language of different countries is also one of the hurdles of tourism development. Basically, Germany, French, Chinese and Japanese nationals are less conversant in English, and they would like to talk to others on their own language. Due to the language problem, they are found to be less interested and friendly to the tourist guides.

New market development has been rated poor- Market promotion is largely based on “Word of Mouth”. The present survey shows (2006) that about 28.040% tourists visit Nepal with the information from their friends and relatives. Nepal Tourism Statistics shows the average length of stay of tourists recorded highest of not more than 13 days and from that point there is no increment in the length of stay of tourists.

Dwindling economic benefits: - Dollar spending by tourists has been declining in recent years. The opportunities for tourists spending are also

limited. The benefits of tourism have largely been reaped by a few urban centers. There is lack of effort to introduce quality village tourism and inability to diversify tourism spots within the country.

Safety rules and regulations- It is another problem which connotes itself as one of the weaknesses of the tourism products and services in Nepal. Lack of safety standards of vehicles and roads have led to an increase in accidents. Hardly, a day passes without the news of road accidents.

Low sustainability - Nepalese roads lack timely repair and maintenance. Nepal is getting dependent on donors to maintain roads. The lack of sustainability of Nepalese roads has become the biggest concern. More so, poor institutional capacity also proves to be one of the weaknesses of the tourism products and services. Efficient use of resources has been lacking in the implementation of projects in the air transport sector. Political interference in award of contracts and procurement decisions has perpetuated corruption. Institutional capacity has remained poor.

3. 4. 3 Opportunities

Natural resources - Nepal has got the greatest and varied concentration of wildlife, biodiversity, landscapes and culture. It is the second richest country in water resources and is home to almost 25% of Hindu Kush Himalayas. Till now Nepal has 15 protected areas but not all of them have been exploited from the tourism point, except for Langtang, Everest, Annapurna and Chitwan and most of the other parks, despite their unprecedented potential to promote eco and wildlife tourism which have been untouched by tourism experience. For example, Suklaphanta and Bardia national Parks are home to rare deers and

dolphins and offer the best prospect for Eco- tourism on intra-regional and international levels (Grandon, 2007:112). Similarly, out of more than 1300 identified peaks only 326 have been opened for climbing. The Far-West, Western and Eastern regions are still home to many virgin peaks and pinnacles, which is a growing prospect for attracting mountaineers, adventure lovers and eco- tourists. As many of these are less than 6000 meters they are easily accessible to trekkers and novice mountaineers.

There are equal paraphernalia of caves, lakes, and historical forts which could be another attraction for tourists. However many of them are still not accessible and are yet to be studied and documented properly (Grandon, 2007:112-113).

Investment - Grandon (2007-113) has claimed that from the development of tourism, we can invest the revenue generated from tourists permit fees for the development of roads, sanitation, electricity, food and housing on the local level.

Stage of Development – The development stage of tourism would create the opportunity of upgrading and controlling the quality of services through human resource management by which the quality assurance mechanism can be established including monitoring and supervision system cater to both low and high-end tourists (Business Age, 2001:39).

Formulation of New Tourism Policy 2007- Realizing the need of a full fledged tourism policy; the government formulated the tourism Policy 1995 with a view to develop Nepal as an attractive tourism destination and other sectors of economy. The announcement of this tourism policy has also encouraged the private sector to invest in the tourism. Again for the

development of tourism industry in Nepal –a New Tourism Policy 2007 was formulated by incorporating the long-term vision and broad based reform agenda of the tourism sector.

The government commitment- has expressed to take certain important steps in order to increase the quality and quantity of tourists under the special Tourism Promotion Program next year. For the implementation of this program, the government will make efforts to make the special Tourism Promotion Program successful by mobilization of non residential and honorary consulates, Nepalese students and the Community workers abroad. The government will also use renowned Nepalese mountaineers, athletes, and others and encourage them by rewarding the brand ambassador to promote “Nepal for All Seasons” program.

For the development of tourism, the government has made certain provisions for deducting the expenses of up to Rs. 1 million for the income tax purpose if such amount is invested by Nepalese firms and companies in schemes devoted to preservation of national religious and cultural heritage sites and development of sports infra-structure (NTB, 2007).

It is a great opportunity that a three year plan has been prepared for the development of tourism sector. Under this plan an opportunity of foreign investment in travel, trekking, rafting, and pony trekking business has been opened for foreigners in line with the policy of promoting foreign investment in the tourism sector.

Village, Eco and Trekking tourism - It is also noted that concepts like village, eco and trekking tourism are not capital intensive e.g. Sirubari, Ghandruk,

Ghalegaon, and Koshi Tappu. Because of the features like increased local and environmental preservation and cultural promotion, these kinds of tourism have become the attraction world over.

Private Sector investment– Encouraging to the private sector from the facilities concentrated regions to locations with less facility. The creation of facilities in other regions might open opportunities in rural areas.

Policy of Intervention and Restoration of Peace and Security- Nepal can regain its lost image again with the implementation of policy intervention and restoration of peace and security. Policy intervention to allow annual leave incentive for travel can improve the domestic market. Biratnagar, Pokhara, Nepalgunj and Dhangadi have the potential to be the regional centers for hosting meetings and conventions.

3. 4. 4 Major Threats

There are major threats of Tourism products of Nepal which is very important to find out for the development of the tourism sector in the future.

Product Diversification- The length of stay of the tourists has a positive relation to the availability of various types of tourism products and activities of tourist's interest. In this connection also some of the regular visitors have remarked that Nepal has not been able to diversify the tourist products and it has been selling the same kind of products for a long time.

Procedural Delay- Tourism process refers to the formalities that have to be fulfilled by the tourists while visiting the destination. It must have been a great

headache to the tourists going through all such processes, causing enormous constraints on time and dis-appointments. These formalities which cause annoyance to tourists include formalities as at airports, immigration, customs and issue of visa.

Lack of Recreational Facilities- Even in the matter of recreational activities for pleasure seekers and holiday tourists, the facilities offered for them are very limited than that of their expectation. Because of their age, health, accessibility of time, etc, tourists feel difficulty to pass their time with enjoyment.

Inadequate Physical Infrastructure- there is an urgent need for the government to invest in infrastructure development to promote tourism. Basic facilities like well paved roads and sanitation have a dual purpose at the local level. It will not only help to upgrade the living condition of local communities but also promote tourism.

Foreign Direct Investment in tourism - Foreign direct investment is one of the important sources to boost up many potential areas in the tourism sector. However, there is very little information about the possible sectors where FDI can be attracted except for hotels, rafting and cable car. Foreign investors can invest in opening multinational chain of hotels, airports and new transportation systems like trams or metros in Kathmandu, Pokhara, and Birgunj.

Government Investment - the government also has to scale up the total tourism budget to meet the increasing need of international demand, promotion and compete with the international market.

Poor Implementation- It is also known that till now although the government has a regulation of investing 50.0 % of the total revenue back to the area from where it was generated through tourism activities, it has not been seriously implemented.

Lack of Local Autonomy- The government should not only encourage the locals to invest in local development activities, but also allow the locals more autonomy and decentralization in making decisions about development efforts to carry out choices in the area.

Process of Decentralization- The entire process of policy formulation of the government must now be decentralized by giving power to locally based tourism communities. It is time to pull local resources and experts and allow extensive debate, research and exchange of inputs and ideas. The local people must be made the priority while devising any policies.

Competitive Strength- The competitive strengths of India and other South Asian countries pose threats to Nepal.

Low Participation of private sector in planning- There is less participation of the private sector for making plans, and the policies, and it should not remain only in paper only. Monitoring and networking is very vital in policy implementation, which on the part of the government is lacking.

Stability of Government- Nepal with the end of a decade long armed conflict is passing the state of transformation. However, frequent bandhs called by political parties and union related strikes have hurt the tourism business throughout the country. Even a peaceful demonstration and rally have number

of times brought the entire traffic in the valley to a standstill. Likewise, a felled tree or a wall obstruction has led to highway blockades disrupting the movement of tourists, shutdowns of business, curfews, wheel strikes; different bandhs have all had negative publicity of Nepal to a tourism destination (Agrawal, 2007). The ADB Report of March 2007 has shown that the yearly economic growth rate of Nepal will be limited to 2.8% for the next two years for lack of peace and security, business confidence and cordial labour relation.

3.5 Conclusion

It is known that the tourism product is a bundle of activities, services and benefits that constitutes the entire tourism experience. The product for the tourists covers the complete experience from the time the tourists leave home to the time they return back and the availability of a product is the prerequisite in the marketing function. In other words, the tourism product can be seen as a composite product as the sum total of a country's tourist attractions, transport, accommodations and of entertainment, which hopefully result in consumer satisfaction. It can be entirely a man-made one or nature's creation improved upon by man, and each of these components of a tourist product is supplied by individual providers of services like hotel, airlines or other suppliers, and offered directly to the tourist.

The study of tourism products are important to attract, motivate and promote tourism in the international market. Nepal is famous for its natural, ecological, cultural, and religious bio-diversity as well as art, architectures, fun and entertainment.

It is important to evaluate the strength and weakness of the tourism product of the country for the diversification and position of the tourism market in the international market.

Relating to the strengths of the tourism product of Nepal, it has possessed a diverse language, customs, UNESCO World Heritage Sites, favorable climate, art and architecture. Nepal is also famous as the birth place of Gautam Buddha, a cheap destination, and hospitality of the people.

On the other hand, it has some weaknesses which need to be eliminated for the development of tourism. The major weaknesses of Nepal's tourism products are pollution, environmental degradation, lack of promotional and marketing activities, over crowding in a congested area, lack of infrastructure development. Besides this, it has to face the problem of frequent strikes, bandhs and chhaka jam, road accidents, lack of quality of service, lack of strategic visions and financial constraints.

However, there are enough opportunities for the development of tourism, i.e. varied bio-diversity, unexplored caves and lakes, investment opportunities, concept of eco-tourism, and trekking tourism. Besides these, there are other opportunities like pilgrimage tourism, preservation of national heritages and implementation of new rules and regulations. As tourism is a competitive business, one can succeed only when the tourism entrepreneurs are able to overcome certain threats.

The major threats gathered from the study are the lack of ability to diversify the product, procedural delay of work, breaking the rules and regulations, lack of recreational facilities for all types of visitors, inadequate physical infrastructures, lack of foreign direct investment in tourism, lack of

government investment and lack of stability of the government and lack of safety and security of life and property.

CHAPTER FOUR

Tourism Industry Organizations in Nepal

4.1 Introduction

Prior to the formation of NTB, the private sector was the main leader in promoting tourism and forging tourism patterns. Here the researcher has tried to portray the role played by different private organizations in their respective way for the development of tourism. The private sector has played a vital role for the development of tourism in Nepal. They are the supporting pillar for the development of tourism without which there is no possibility of tourism development (FNCCI, 1998:86). Tourism is an activity run mainly by the private sector. Thus sustained tourism development demands private initiatives in various line functions of tourism industry (Upadhyay and Ghimire, 2008:332).

Hotel Association of Nepal (HAN)

The Hotel Association of Nepal was first established in 1966 to promote the hotel industry in Nepal and protect the rights of its owners. It attempts to improve standards in hotel education, staffing and provides studies and research for the hotel industry. The objectives of HAN are to develop and promote the hotels and tourism in the country and to protect the lawful rights

of its membership. It has a leading role to promote tourism industry in Nepal. It is active in preserving the lawful rights of its members and is able to manage disputes. It is promoting regional cooperation for the development of tourism and also has been carrying out various conferences, meetings, fairs and promotional activities (Upadhyay, and Ghimire, 2008: 331).

Nepal Mountaineering Association (NMA)

The Nepal Mountaineering Association is a non-profit organization established in 1973 with the objective of promoting Nepal's mountains and mountaineering in international markets. It is the only national alpine club authorized to issue permits for 33 selected trekking peaks as a source of income since 1978. The NMA offers recommendations to the government on mountaineering policies and has a Mountaineering Training Centre at Manang. Tourism activities include clean-up campaigns, campsite developments, tourism training and the new International Mountain Museum in Pokhara (Upadhyay, and Ghimire, 2008:331).

Trekking Agents Association of Nepal (TAAN)

Trekking Agents Association of Nepal, is a non –profit organization with 257 members in (2000), which aims to promote mountain tourism, preserve mountain environments, help raise the economic status of mountain regions, protect and promote the welfare of its member trekking agencies and offer recommendations to the government on trekking policies. TAAN includes promotional activities and training programs to up-skill their members. TAAN has a seat on the Board of the NMA, NATHAM and the Himalayan Rescue Association (NEP, 2001).

Nepal Association of Travel Agents (NATA)

Nepal Association of Travel Agents was established in 1966 with the objective of achieving the healthy development of the travel industry in Nepal and had 185 members in 2000. It is dedicated to responsible cooperation within the industry, protecting members, advising Nepal Government and ensuring professional ethical standards. It is recognized as one of the main representative bodies of the tourism industry in Nepal, although recently the Nepal Association of Tour Operators has been formed.

Nepal Association of Rafting Agents (NARA)

Nepal Association of Rafting Agents was formed in 1988 with the objective of protecting, developing and promoting environmentally-conscious river running. Recognizing that river trips have become a significant part of Nepal's adventure product, NARA provides river guide training in cooperation with NATHAM, and promotes the industry and regulates safety standards amongst operators. The Nepal River Conservation Trust (NRCT), formed in 1995, has published a Code of Conduct for rafting Nepal's rivers. It is also active in the sector of All Nepal River guides Association (ANRGA, 2001).

Initially rafting business was conducted by the travel and trekking agencies in Nepal. The first rafting agency, which operated in Nepal was Himalayan River Exploration under Mountain Travel in 1978. Rafting agencies provided all equipments, food, transport, experienced river guides, trained medical staff and camping tent on the river bank and all arrangements needed for rafting (MoCTCA, 2005).

Tourist Guide Association of Nepal (TURGAN)

Nepal's tourist guides are organized into the Tourist Guide Association of Nepal (TURGAN) as a private sector lobby group, particularly to interact with MoCTCA. It was established in B.S.2046 to protect the profession and rights of its members. As a professional association TURGAN performs the following functions: makes the member aware about tourism rules and regulations; participates in different tourism related activities; organizes seminars, meetings, gathering and talk programs on topical issues, furnishes views, opinion and suggestions to the government in the policy and procedural matters pertaining to tourism (Upadhyay, and Ghimire, 2008:351).

Nepal Canoeing Association (NCA)

Nepal Canoeing Association was officially launched on March 2, 2007 at Nepal Tourism Board. The association has been formed to develop canyoning as an adventure sport in Nepal. Canyoning activity consists of walking up the head of a canyon and going down the canyon along the spring, torrent and stream stepping across the blocks, sliding, jumping down the pool, swimming using equipment such as harness, descender, jumper, carabineer, figure and etc (NTTR, 2007:5).

Pacific Asia Travel Association (PATA)

Pacific Asia Travel Association was established in 1995 as a non-profit organization with the objective of developing, promoting and facilitating travel to and within the Pacific area and South East Asian region. PATA's headquarter is located in San Francisco, USA and Asian Division Office is located in Singapore.

PATA Nepal chapter has undertaken various joint promotional workshops, training programs, conventional international PATA conferences and coordinating PATA task force team visits. It has worked to build up a cultural awareness in the country (Maharjan: 2004:183).

Nepal Incentive Convention Association (NICA)

Nepal Incentive Convention Association was established by a group of top ranking hoteliers, Travel and Tour operators, Airlines, Professional Conference Organizers and the Department of Tourism with the aim of promoting NICA encourage the tourist activities in the country, which in the long run would benefit the tourism industry. This association was formed in February 1996 (Maharjan, 2004:187).

Himalayan Rescue Association of Nepal (HRA)

It was Jon W. Skow; a Peace Corps volunteer who created the concept of the mountain rescue organization in Nepal. Later on, Mr. T.C. Pokharel and Mr. Michael Cheney also joined their hands together and established HRA in 1973. HRA is a voluntary non-profit organization with an objective to reduce casualties in the Nepali Himalayas, especially keeping in view the increasing number of Nepalese and foreigners who trek up into the remote wilderness. One of the most important tasks of the HRA is to try to prevent deaths from Acute Mountain Sickness that confronts trekkers (Maharjan, 2004:189).

Board of Airlines Representatives in Nepal (BARN)

Board of Airlines Representatives in Nepal was established in 1989, with the participation of international airlines organizations operating in Nepal. It has two kinds of membership: active membership and associate memberships. The operating airline organizations fall under the active membership, and those organizations, which are not operating in Nepal fall under associate membership, which doesn't have voting rights in BARN.

The main objectives of BARN are:

- Make efforts for the institutional development of the member Airlines Organizations of BARN.
- Play an active role for the economic development of the country.
- Make a joint effort for the promotion of tourism by coordinating international airline organizations (Maharjan, 2004:189).

Airline Operators Association of Nepal (AOAN)

Airline Operators Association of Nepal was organized by a joint effort of private airline institutions engaged in airline operation at present and would be operated in future with objectives such as to contribute to promote tourism by developing undeveloped and remote areas providing quality, safe, comfortable and cheap services, and to protect and promote the rights of the airline operators. AOAN was registered in 2055 B.S., managed by a preliminary committee prior to the registration of the institution. The executive committee was formed and later reorganized time and again since then (Maharjan, 2004:189).

Handicraft Association of Nepal (HAN)

Handicraft Association of Nepal was established in 1971 to enhance and promote handicraft trade and industry. It was registered under the institution registration act of Nepal. As service oriented non-profitable organization of private sector business and artisan community, it helps its members improve their productivity, explore markets and introduces them to the international arena. It works as a liaison between its members and the Government/Non-Government Organizations (Shrestha, 2000).

Nepal Academy of Tourism and Hotel Management (NATHAM)

Hotel Management and Tourism Training Centre (HMTTC) was established in 1972 by the government to cater the growing need of skilled manpower in tourism. In 2004, it has been renamed as Nepal Academy of Tourism and Hotel Management. Earlier it was the sole authority to produce skilled workforce in tourism. After the restoration of democracy in the country and initiation of liberal and open policy in tourism, some institutions were established and started to give training. It also helps in improving the quality and quantity of worker's output (Gautam, 2001:92-93). The success of tourism as a service sector mostly depends upon the quality of service of the people. It is the first college in Nepal to provide short and long term courses on hospitality and tourism. It also offers in service training (Basic) like food preparation and control, food and beverage service, house keeping front office and Barman. NATHAM commenced its Bachelor in Hotel Management (BHM) in 1999 and Bachelor in Travel and Tourism Management (BTTM) in 2003. The academy has been successful in preparing an array of human resources required for the tourism industry.

Table 4.1 Manpower Trained by Nepal Academy of Tourism and Hotel Management (in FY 1984/85 - 2006/07)

Fiscal Year	Manpower Trained	Growth Percent	Cumulate Number
1984/85	107		107
1985/86	183	71.0	290
1986/87	300	63.9	590
1987/88	797	165.7	1,387
1988/89	1,018	27.7	2,405
1989/90	425	-58.3	2,830
1990/91	684	60.9	3,514
1991/92	569	-16.8	4,083
1992/93	1,024	80.0	5,107
1993/94	667	-34.9	5,774
1994/95	716	7.3	6,490
1995/96	1,204	68.2	7,694
1996/97	1,495	24.2	9,189
1997/98	1,605	7.4	10,794
1998/99	1,071	-33.3	11,865
1999/00	1,197	11.8	13,062
2000/01	1,127	-5.8	14,189
2001/02	1,003	-11.0	15,222
2002/03	787	-21.5	16,009
2003/04	1,475	87.4	17,484
2004/05	1,386	-6.0	18,870
2005/06	960	-44.4	19,830
2006/07	1330	38.5	21160

Source: Economic Survey. FY 2006/07, Government of Nepal, Ministry of Finance.

The above table 4.1 shows the figure of trained manpower by NATHAM from FY 1984/85 to 2006/07. The figures over the period also indicate the performance of the academy. The academy had given training to 2830 persons within FY 1984/85 to 1989/90. It registered a gradual growth until the FY 1990/91 and has provided training up to 13,062 persons over the years (1999/00). Afterwards, it witnessed a minor decline until 2002/03. Again, it took a momentum from 1475 in 2003/04 to 1386 trained manpower in 2004/05. Hence, the total number of skilled man power during the review period has increased continuously and reached to 21160 at the end of 2006/07.

4.2 Support Infrastructures

Like many other products, tourism itself is not a total product as one can not have its utility in isolation. As it is composite of different product it is supported by basic infrastructures .i.e. transport, communications, postal services, accommodations, travel as well as trekking agencies.

Tourism industry comprises various tourism business enterprises or establishments receiving a significant proportion of their sales revenue from the visitor's expenditures (OAS, 1997:3).

The industry embraces a variety of establishments such as hotels and resorts, travel agencies, trekking and mountaineering, airlines and transportation. In addition to these, the industry needs entertainment places and shopping facilities, along with basic infrastructures like airports, air services, road and telecommunication, as well as amenities like electricity, water supply, sewerage and waste disposal systems (Shrestha, 1998:82).

4. 2. 1 Transport

Transport is one of the most essential support infrastructures needed for tourism. It is a primary service needed for the tourists in order to reach their destination. The destination should be accessible by means of proper and adequate transport system.

Tourism product has no mobility like other physical products. A physical product can be taken from one place to another but in tourism, destination cannot be taken like physical products from one place to another place. So immovability is the special feature of the tourism product. The country linked by a network of well-organized transport, receives a higher number of tourists. There are different means of transport, rail transport and sea transport. In the context of Nepal, only road and air transportations are usually available. Rail transportation is nominal and being a landlocked country, sea transport is not available.

Road Transport

It is necessary to encourage surface travel because mass tourism is possible only by the surface travel. Therefore, it is necessary to improve the quality of roads and railways (Poudel, 2000).

Due to topographical structure of Nepal, the internal transportation and communication system are very different. Realizing the importance of road transport, various efforts were made to construct roads and bridges linking many isolated villages since 1951. It seems that Nepal has accorded a high priority for the development of road transport in the different plan periods. Prior to 1956, the beginning of first Five Year Plan, the country had only a total of 624 km of roads and later it was gradually increased in different plan

periods. In the beginning of the Ninth Five Year Plan (1997/98-2001/02) the total length of road construction was targeted at 13564 km, but it was a great pleasure that in the total road sector, the plan target in terms of kilometers of roads construction had exceeded to 15905 km. Nepal is linked from north to south and east to west by a system of roads and the total length of roads is 17279 km. In the Tenth Plan, the target was to connect 70 districts with the road network by the end of the plan period, but up to now only 63 head quarters have access to road facility (Economic Survey, 2006/07).

Table 4.2 Road Network in Nepal

Types	2005/06	2006/07	Total
Black Topped	5048	174	5222
Graveled	4727	11	4738
Fair Weather	7658	165	7649
Total	17,433	350	17,609

Source: Economic survey, 2006/07 Government of Nepal, Ministry of Finance

Air Service

Air transport is the modern and efficient means of transport system in the world which helps the people to reach long distances within a short time. The role of air transport in the field of tourism is becoming increasingly significant, and it is the key factor in the growth of number of international tourists. In India, it is estimated that 85% of the foreign tourists arrive by air and those who come to India by air like to travel within the country also by air (Negi, 1990:201).

As Nepal is a landlocked and mountainous country, air transports is not only necessary but a major link for many remote areas where there are no other forms of transportation link. The Government of Nepal has given a high priority to the development of air transport in Nepal. In Nepal, air transport plays a significant role in transporting passengers and vital supplies to many inaccessible parts of the country.

In Nepal, the history of air transport can be traced to the early 1950s. For the first time in 1949, a single engine aircraft had landed on a trial basis in Kathmandu. Later, in 1951, Indian National Airlines (INA) operated services between Kathmandu and Patna. Again in 1951, Indian company started domestic flight service to connect Kathmandu with Biratnagar, Simara, Pokhara, and Bhairahawa (DOCA, 1994: 15).

The Former Royal Nepal Airlines Corporation (RNAC)

RNAC was established on 1st July 1958 as a joint venture corporation with the Indian Company. At the time of establishment, this corporation had only one DC-3 aircraft and first operated domestic schedule flight services from Kathmandu to Simara, Biratnagar, Pokhara and Bhairahawa. Later, then HMG/Nepal took over full ownership of Royal Nepal Airlines Corporation on 12 October 1959 and started international services with routes to Patna, Delhi and Calcutta since 16th January 1960 (Satyal, 1988: 52). It was established to provide safe, efficient, systematic and economical air services in the country. It was changed into the name of Nepal Airlines Corporation in 2006.

However, due to its weak management, diminishing competitive capacity, structural weakness and lack of visionary leadership and in efficient

managerial ability, at present it has been facing a serious crisis (Upadhyay and Ghimeri, 2008:352).

In the context of Nepal, air transport is a vital infrastructure for the national integration and balanced development, domestic and international accessibility and linkage as well as promotion of tourism industry. Traffic trends in the international as well as domestic sector were growing with some fluctuations during the period of 1991 to 2005. Nepal has taken a progressively liberal approach in the negotiation of the liberal bilateral air services agreements. Despite some fluctuations in terms of entry and exit and sustainability of individual airlines, the air transport industry has shown a rapid growth in the domestic sector since the introduction of liberal sky policy in 1992. The traffic trends in the domestic sector in the past years were very encouraging, and this growth trends have added to the complexity in the management of aviation industry (Neupane, 2006:9).

This put increased challenges on the then government body DCA (Department of Civil Aviation) in the fulfillment of its objectives. As a result, to meet the challenges, the DCA was transformed to Civil Aviation Authority of Nepal (CAAN). Civil Aviation Authority of Nepal was established as an autonomous body on 31st Dec, 1998 with the objective of making civil aviation safer, regular, affordable and efficient. The Act 2053 B.S has a vision of making both the domestic and international air services safer and more reliable and affordable (Gautam, 2002:1).

During the year 2006, CAAN took various new initiatives for the enhancement of flight safety amid a myriad of problems and challenges surfaced by escalating air traffic growth and corresponding activities not only in region, but also in the sub-region (Neupane, 2006:9).

Growth Trends

The table below 4.3 and 4.4 illustrate the growth of international and domestic traffic at Tribhuvan international Airport in 2005 and 2006 as compared to 1991, which marked the doorstep to the liberalization era. There has been a modest growth in aircraft, passenger and cargo movement at Tribhuvan International Airport (TIA), which caters to over 80.0% of tourists coming by air and serves all international scheduled airlines and a number of seasonal international chartered operations.

The domestic aircraft movements grew rapidly after 1991. The domestic passenger traffic trend shows a strong growth with a few fluctuations. The growth exceeds previous forecast.

Table 4. 3 International Traffic Data at TIA

	Year			
Particulars	1991	1998	2005	2006
Aircraft movement	7474	8261	11536	11326
Passenger Movement	780933	1044002	1252266	1373474
Cargo Movement(Tons)	14269	13863	12739	12049

Source: CAAN Souvenir 2006

Table 4. 4 Domestic Traffic Data at TIA

Particulars	Year			
	1991	1998	2005	2006
Aircraft Movement	11811	34468	69257	136008
Passenger Movement	215957	670076	1112358	1751484
Cargo Movement(Tons)	326	1012	29703	15763

Source: CAAN Souvenir 2006

At present, there are altogether 51 airports in Nepal. Among them one international airport i.e. Tribhuvan International Airport (TIA), 4 regional airports, 42 STOL airports, and other 4 new airports are under construction. Except TIA and regional airports, the rest are known as Short Take Off (Singh, 2008:25)

Air Connectivity

The land-locked situation of Nepal realizes the need for extensive and fast growth of air service network. After a decade long insurgency that affected tourism and international travel from Nepal, the peace pact signed in October 2006 stimulated air travel and the number of airlines operating schedule services to Nepal. Nine new airlines started flying to Nepal from Oct 23, 2006. Since July 2008, 20 other airlines were connected to 21 cities in Asia directly in their 157 flights per week. However, a decade long experiment of establishing an international airline from the private sector in Nepal has failed to foster a dependable airline, and the state of Nepal Airlines Corporation is far from being satisfactory. The government of Nepal permitted license to four private airlines for international services (Necon Air, Alpine Air, and Air

Nepal) in 1998, two more (Cosmic Air and Air Shangrila) in 2004 and one in 2007 (Yeti Air International). But some of these airlines have not yet started their flights and some of them flew for some time, but are grounded now with any revival. Cosmic Air and Nepal Airlines are now flying international services intermittently and use two decades old airplanes that are neither reliable, nor attractive for the traveling public (Shrestha,2008:23).

Also, a large number of airlines holding air service operation certificate (AOC) have not commenced air services even after a long time of AOC issue date. Out of 42 companies holding AOC, only seventeen were operating in July 2007 (NEP, 2008). At present, there are twenty one international airlines operating in Nepal.

Airlines Operating in Nepal

Due to the liberal sky policy of Nepal government there are different airlines operating in Nepal. They are Air China, China Southern Airlines, Biman Bangladesh, Gulf Air, Qatar Airways, Indian Airlines, Jet Airways, Pakistan International Airlines, Royal Bhutan Airlines (DrukAir), Thai Airways, GMG Airline, Air Arabia, Korean Air, Nepal Airline Corporation, Cosmic Air, Ethihad Air, Dragon Airways, Silk Air, Jet lite, Hongkong Express Airways and Yeti Airlines International.

Domestic Airlines

Under the domestic airlines, the fixed wings are Nepal Airlines Corporation, Buddha Air and Yeti Airlines The main gateway used by the air travelers to and from Nepal comprised over a third travel via the Gulf states (43.5%), 29.8% via India, and 30.1% via the other South Asian routes and the

remaining 5% on other routes. The share of Gulf market is increasing due to the growing flight activities of the airlines from the Gulf i.e. Qatar Air, Gulf Air, Air Arabia and Etihad.

Table 4.5 New Airlines Operated to Nepal in 2007

S.N	Name of Airlines	Destination	Flight Frequency Per Week
1	GMG- Bangladesh	Dhaka, Bangladesh	4
2	Korean Airlines	Seoul, South Korea	1
3	Etihad Airways	Abu Dhabi, UAE	4
4	China Southern Airlines	Guang Zhou, China	3
5	Silk Air	Singapore	3
6	Dragon Air	Hong Kong	4
7	Hong Kong Express	Hong Kong	3
8	Orient Thai	Bangkok, Thailand	3

Source: NTB- In Focus, (2007:72), MoCTCA.

www.welcome.nepal

Rail Transport

Rail transport has played a significant role in the development of travel and trade for short and medium distance transport within and between the countries. However, Janakpur-Jayanagar (NJJR) is the only railway service available in Nepal. This train operates 30 km from Janakpur to Jayanagar in the eastern Terai and has a very limited touristic value.

Ocean and River Transport

Ocean and river transport is one of the oldest forms of transport in the world. Nepal depends on sea transport for the bulk of its international trade. However, from the tourism perspective, it has hardly any role. The water transport potentiality of Nepalese rivers has not been developed.

4. 2. 2 Communication

Communication is a key factor for the all round development of a country as well as for tourism development. It is more important in a country like Nepal where most of the territory is mountainous, road transport is typically difficult and air transport is still limited. In the tourism arena, too, communication is needed in an all-pervasive manner including rescue, security as well as marketing purposes.

Telecommunication and postal services are the main media of communication in Nepal. Realizing the importance of communication in the overall development of a country, special attention has been given in this sector since the first Five Year Plan (1956/57-1960/61). For the first time, telecommunication was introduced in Nepal in 1913 as a telegraphic link of Kathmandu with Raxaul in India, and this service was limited to certain pockets of the country only. Later, the service was expanded after 1951. In 1955, 300 lines of total telephones were distributed for public in Kathmandu valley (Gorkhapatra, 2054, 3:4).

At present, the local as well as trunk telephone facilities are available in most of the urban areas of the country and this facility has been connected with all the 75 districts of the country. Nepal has been able to maintain direct communication links with 131 countries of the world. Local telephone, Trunk,

Telex, Telegram, lease circuit, Buro fax, wireless, Internet services are the main communication facilities available in Nepal (Shrestha, 1998).

Telecommunication Authority has, issued so far 165 licenses that include, among other, 2 basic telephone services, 2 cellular mobile license, 33 internet (including email), 111 v-sat service user, 1 video conference service, 3 GMPCS service, 1 rural telecommunication service, 1 local data net work service and 4 limited mobility service. All 6 fax mail service licenses issued before have been cancelled. As of mid March 2007, 2,549 Village Development Committees have access to telephone services (Economic Survey, 2006/07).

Postal service

Postal service is another important part of communication media which was introduced in 1878 in Nepal. Nepal, a member of the Universal Postal Union, has made progress in a planned way after the first five year plan in 1956. Currently, the postal services network includes general post office, regional post directions, district post offices, Ilaka post offices and additional post offices and their total number was 3,992. Besides, delivering letters, parcels, etc, it has continued with its traditional work like the publication of postal tickets, Postal Saving Bank, and it has moved towards the maximum utilization of modern information technology by introducing e-post services (Economic Survey, 2006/07).

4. 2. 3 Accommodations

Accommodation is one of the most essential requisites for the successful development of tourism. “The hotel must provide the various types of physical facilities, depending upon the price ranges, locations and services offered,

which must meet the expectations, wants and needs of the travelers. The demand for accommodations varies according to the social class, price, level of services and similar other considerations that the guests are willing to pay. Suitable accommodation should be made available to suit for all segments of the market” (Negi, 1990:120).

Hotel Industry in Nepal

It is said that the forbidden Himalayan Kingdom of Nepal opened its door for the outsider only after early fifties, though it is said that the beginning of tourism was in Lichhawi era. During these periods people traveled from one state to another for the works of Royal affairs or individuals, and they had been provided Paties, Pauwas, and Dharmashala as an accommodation with or without cost. The development of tourism, hotel and catering industries in the true sense, occurred after 1954 (Oli & Chhetri, 2000:1)

The democratic movement of 1950 had brought changes in the administration and vision of Nepal to look at the outside of the world. Mr. Nara Samsheer had traveled abroad and felt the need of a quality hotel in Kathmandu. He had opened a hotel at his palace in Jawalakhel in 1952, with a team of cooks and waiters who were trained to cater in his palace for his personal guests. At that time the manager was Mr. Tom Mandis who was invited from Calcutta. But the project did not last long, and Mr. Mandis opened Snow View Hotel at Lazimpat. The Himalayan Inn and Paras Inn (1950/51) were already in existence at New Road.

According to Adhikary (2006), Boris Laissanevitch was the first person to introduce Nepal to the outside world. During the time of Rana Regime in

Nepal, King Tribhuvan had met Boris in India where he was running club 300 in Calcutta. Boris was also one of the first tourists to enter Nepal. He got visa for two weeks upon a request with king Tribhuvan. It was after him other eminent personalities such as Queen Elizabeth of Britain visited Nepal, which was mostly arranged by him.

Mr. Boris had opened Royal Hotel in 1955, where present Raj Shava Bhavan, is located. He had also imported many high breeds' seeds and vegetables to cater to the need of the hotel's kitchen (Ghimire and Shrestha, 2004:45- 46).

At the end of the second plan period 77 hotel beds were adjusted to meet the demand of international tourists – the annual tourist arrivals increased from 2056 in 1958 to 9526 in 1964, an increase of almost 400 percent.

In 1964, Green Hotel at New Road, and Shankar Hotel at Lazimpat had been opened as tourist standard. Those hotels were the first four star hotel of Nepal. Furthermore, during the third plan period numbers of hotels were built in Nepal. The establishment of Hotel Soaltee in 1965, and the Hotel Del Annapurna in 1966, providing, opened the door for high class tourists to visit Nepal.

According to Sharma (1985) the growth of the international tourism in Nepal has been instrumental in bringing about a significant growth in the hotel industry. Since the tourist flow is concentrated in Kathmandu valley, the growth of hotel industry is also heavily concentrated in the valley itself. After Kathmandu valley, the hotel industry is seen to have growth in Pokhara.

According to an Economic survey (2001/02), it was understood that by the end of 2001, the country had 888 hotels out of which 97 were star hotels and 791 were non-star hotels. The concept of accommodation fully realized in Nepal and varieties of facilities are offered to international visitors.

Due to the realization of quality and quantity of tourist coming to Nepal and to meet the demand of the growing number of tourists, there has been some addition of the number of hotels and its bed capacities. The table below 4.6 shows that during the period of 2002, the total number of hotels including star and non star had reached altogether 943 with a bed capacity of 37616, of which 10289 were of Star and 27327 were of non Star adding impetus to tourism in the country.

But over the past few years, due to the lack of sufficient number of high spending tourists, many of them are compelled to go for a price war in order to at least sustain themselves in a difficult situation, and this has resulted in a very unhealthy competition in the hotel industry. The trend of providing cheaper services by 5 star hotels as a major strategy to attract customer started after the number of tourists fell drastically due to the series of violence including the Maoist insurgency, hijacking of Indian Airlines and Royal Massacre. This has affected the hotels of below 5 star categories. Some of them have been closed down and the remaining has been forced to reduce their rates as well (Dangol: 34).

However, there was a steady growth in the hotel industry of Nepal since 2004. During the year (2004), the total number of hotels including star and non star had reached 996 with a bed capacity of 39107 while during the year 2006 the total number of tourist hotels has reached 607 of which 335 were based in

Kathmandu Valley and the rest (272) were out of Kathmandu. Similarly, the total number of beds available in these hotels were 14533 in Kathmandu and the rest 9727 were in outside the valley. The data shows that there was a significant fall in the number of hotels in 2006 representing the fall of 39.7 per cent compared to the previous year (Economic Survey, 2006/07), while in the year 2007 the number of hotels and beds have reached 634 and 26865 representing an increase of 4.4 and 10.5 per cent respectively compared to previous year. This shows that there has been a healthy competition in the hotel industry.

Table 4.6 Position of Approved Hotels in Nepal (1970- 2007)

Year	No. of Hotels	Growth Rate	No. of Beds	Growth Rate
1970	20		1500	
1980	73	265.0	5109	240.6
1985	103	41.0	6870	34.5
1986	110	6.8	7086	3.1
1987	105	4.5	7244	2.2
1988	120	14.3	8011	10.6
1989	159	32.5	9408	17.4
1990	168	5.7	10244	8.9
1991	192	14.3	11207	9.4
1992	203	5.7	11772	5.0
1993	214	5.4	12547	6.6
1994	394	84.1	17730	41.0
1995	520	32.0	21807	23
1996	632	21.5	25638	17.6
1997	706	11.7	27612	7.7
1998	739	4.7	28878	4.6
1999	785	6.2	32214	11.6
2000	848	8.0	34958	8.5
2001	888	4.7	36163	3.5
2002	943	6.2	37616	4.0
2003	966	2.4	38270	1.7
2004	996	3.1	39107	2.2
2005	1006	1.0	39384	0.7
2006	607	-39.7	24260	-37.7
2007	634	4.4	26865	10.7

Source: Department of Tourism, Government of Nepal

Nepal Tourism master Plan Review

Satyal, (1999:77)

FNCCI, Nepal and the World, A Statistical Profile, 2006.

Economic Survey, 2007/08, Government of Nepal, Ministry of Finance

4. 2. 4 Travel Agencies

Travel agencies are another important part of tourism business. Travel agents function as an intermediary between their customers and the providers of tourist services like hotels, transport, entertainment, excursion etc. Regarding the role of travel agencies, different writers and scholars have expressed their view in different ways.

Holloway (1998:288) describes that most travel principals sell their products to consumers through the medium of travel agents. Such agents have been in existence for more than a century. However, their main role in earlier times was to sell shipping and rail services, but with the coming of air transport and the development of the package tour business after World War II, travel retailers assumed on a new role.

Foster (1994:35) says that technically a travel agent is the owner or manager of an agency, but other employees responsible for advising clients and selling tickets are also referred to as travel agents. He further adds that a travel agent's job involves not only making sales, but also gathering information, researching travel products, analyzing options, and making recommendations, and for these reasons, travel agents are often referred to as travel consultants or travel counselors.

Travel agency is an occupation of initiative and responsibility, and without which there can be no genuine place for it in the development of tourism. The travel agent has to fulfill various demands of the client in the modern world. His job is to advise to the inexperienced and the retailer of package tours as this is the growing section of the travel agency's market. So the travel agent is

an informer possessed of right documentation and go-between for filling of transport and accommodation (Satyal, 1999:71).

He further adds that travel agencies are profit making business firms set up for the purpose of organizing trips. At present, they act either as middlemen between their customers and the firm supplying the services required (transport companies, hotels, firms offering excursions or entertainment) or as actual tourist entrepreneurs. As a middleman, it charges a commission on individual services supplied by a hotel, a transport company etc and sold to the client by the travel agency. In this case, the agency acts as a third party between the consumer and the producer i.e. between the tourist and the tourist enterprise (hotel and transport Company).

As an organizer, the travel agency organizes on its own initiative and at its own risk tours for its customers. It chooses the means of transport, the hotels, the excursions and the entertainment, and plans the entire program according to the fixed schedule and for a specific duration. (Satyal, 1999:77)

Foster describes (1994:35) that basically travel agencies earn money by selling airline tickets, hotel reservation, cruise trips and other travel products. Travel agencies earn income only in the form of commission, which are based on a set percentage of the purchase price paid by the client.

Status of Travel Agency in Nepal

Travel agencies are another important part of travel business. Travel agents function as an intermediary between their customers and providers of tourist services like hotels, transport, entertainment, excursions etc. Moreover, travel

agents work as an advisor to the tourists providing required information which inspire them to travel to a particular place or buy particular package (Shrestha, 1998).

The history of travel agency in Nepal is of recent origin and it has been playing a significant role in the development and promotion of tourism in Nepal. The functions of a travel agency is to supply the facilities of air ticketing, hotel reservations, car hiring, sight seeing, guides etc fall within the territory sector of the nation's economy. As such, they play a crucial role in the tourism as an intermediary between tourists and the supplier of tourist services of a tourist receiving country.

The purpose of travel may vary with the taste and interests of each tourist. But generally, people visit other countries to acquire experience and broaden their knowledge about economic, social, cultural, geographical and other aspects of the host country. The duty of travel agency is to arrange tours, travel and sightseeing, air ticketing, hotel booking and so on for the pleasure and comfort of the tourists.

In Nepal, the first travel agency was established in 1959 with the name of Shah & Rai Pvt. Limited and it was registered under the company Act of Nepal which was also the member of International Air Transport Association. Later this travel agency was fully controlled under the Nepalese management by the name of Third Eye Tours in 1965 (Satyal, 1988:8).

The role of travel agencies has long been recognized by then His Majesty's Government of Nepal and all sorts of incentives have been given specially for recommendation of foreign exchange facilities for equipments and

promotional trips abroad. The present study is focused primarily on the tourism establishments. It briefly presents the distribution of tourism business enterprises and the growth pattern over the period. It is basically designed to enumerate the basis of tourism industry in Nepal.

**Table 4.7 Growth Pattern of Travel and Trekking Agencies of Nepal
(1990 - 2007)**

Year	Number of Travel Agencies	Growth Rate in %	Number of Trekking Agencies	Growth Rate in %
1990	145		139	
1991	189	30.34	162	16.55
1992	246	30.16	202	24.69
1993	295	19.92	249	23.27
1994	332	12.54	276	10.84
1995	386	16.27	310	12.32
1996	425	10.10	342	10.32
1997	458	7.76	369	7.89
1998	514	12.23	420	13.82
1999	563	9.53	475	13.10
2000	637	13.14	537	13.05
2001	693	8.79	580	8.01
2002	738	6.49	611	5.34
2003	788	6.78	645	5.56
2004	877	11.29	705	9.30
2005	948	8.10	740	4.96
2006	1026	8.23	793	7.16
2007	1078	5.1	872	10.0
Average		12.75		11.54

Source: Shrestha.(1998), Ph.D dissertation

Nepal Tourism Statistics of various years, (MoCTCA)

Upadhyaya, (2003), Ph.D dissertation

The growth of travel and trekking agencies is an indicator of tourism development and its effect on the overall economic activities.

The table **4.7** represents the growth of the travel agency in Nepal. The figure shows that the number of travel agencies increased from 145 in 1990 to 1076 in 2007. The average growth rate of travel agencies accounted to 12.75 per cent. Similarly, the number of trekking agencies also increased from 139 in 1990 to 872 in 2007, with an average growth rate 11.54 per cent.

Table 4. 8 Growth Trend of Rafting Agencies (1990-2007)

Year	Number of Rafting Agencies	Growth Rate in %
1990	31	-
1991	47	51.61
1992	56	19.15
1993	67	19.64
1994	72	7.46
1995	79	9.72
1996	84	6.33
1997	88	4.76
1998	89	1.14
1999	89	0.00
2000	90	1.12
2001	87	-3.33
2002	87	0.00
2003	90	3.45
2004	91	1.11
2005	92	1.10
2006	92	0.00
2007	94	2.17
Average		7.38

Source: Nepal Tourism Statistics, 2007, (MoCTCA)

River rafting is an adventurous sport, journey, on the terrestrial river on an inflatable rubber boat. Nepal has the most wonderful and variety of exciting rivers flowing down from the glaciers of the Himalayan range. Rafting in

rivers of Nepal is the most romantic and exciting. Many adventure loving tourists are attracted by white water rafting of Nepal and the number of such tourists is increasing every year. Although Nepal is rich and has great potentiality in river rafting, the number of river rafting was 31 in 1990, which gradually rose to 94 in 2007. The average growth rate of rafting agencies accounted to 7.38 percent, which was much lower than the growth rate of travel and trekking agencies.

4. 3 International Development Agencies

There are many international organizations which are related to natural, cultural and heritage conservation of Nepal. As such, there are numerous unilateral, bilateral and multilateral international organizations at both government and non-government levels, which have come forward at the same time and contributed for the development of tourism in Nepal.

Nepal being a land marked and mountainous country, tourism seems to be one of the most viable industries. The best part of Nepal is that it has diverse, natural and cultural products ranging from the sea level to the highest altitude on the earth. However, Nepal has not been able to promote its products in a consolidated form over the last decades. The overall development of tourism in the country will gear up if all the stakeholders including public and private sectors could work together and put a concerted effort in a strategic manner. Besides this, for the implementation of the short and long term development projects relating to tourism, we need the help of international donor agencies. So the researcher has included the nature of support provided by some international agencies.

Asian Development Bank (NEP Final Draft Report, 2001) -historically, ADB and UNDP have led support for the development of the tourism sector as a whole in Nepal. Both have been active in the field of tourism since the 1970s. However, the area of eco-tourism has received the attention of many other agencies. These organizations objectives are for the reduction of poverty, community development, heritage preservation, and environmental as well as wildlife conservation.

Providing the most substantial assistance in the sector, ADB has been involved mainly with infrastructure development projects associated with tourism. Project interventions have included urban development, road upgrading, and airport improvement and hydro-power development. In the past, ADB's aim has been to foster strong linkages between tourism, environmental improvements, employment and basic infrastructure development.

UNDP has been a major player in Nepal's tourism since 1971 when the Hotel Management and Tourism Training Centre (now NATHAM) was formed. More recently, the successful establishment of Partnership for Quality Tourism Project (PQTP) was a series of trial joint/ public and private sector activities leading to the formation of the Nepal Tourism Board. PQTP was followed by TRPAP (Tourism for Rural Poverty Alleviation Programme) jointly supported by UNDP, SNV and DFID (NEP Final Draft Report, 2001).

Japan has had a good relationship with Nepal from the very beginning. *JICA* occupies the position of the second highest contributor with approximately US\$ 81.4 million investment in different tourism related projects. Its major focus area are the infrastructure safety, modification of TIA, installation of the radar system at TIA, a high level technical training in radar technology and

human resource development in tourism marketing, hotel, and catering areas. Japan has helped Nepal in the development of tourism industry by providing financial and technological help for the construction and maintenance of Tribhuvan International Airport and of its terminal buildings. It has also provided financial support for the development of Lumbini, the birthplace of Lord Buddha (Upadhaya, 2008:30).

The International Centre for Integrated Mountain Development (ICIMOD) has a regional focus on the Himalaya. It is concerned with information exchange, coordinating research, training in integrated mountain development and consulting services in resource management. It is not a development agency, but it develops contacts with governments and NGOs to channel knowledge and other support to mountain households. ICIMOD's credentials in eco-tourism include, organizing meetings and workshops, commissioning studies, establishing a library collection called the Mountain Tourism Resource Centre (**MTRC**) and publishing training manuals on the techniques of developing mountain tourism.

The World Conservation Union (IUCN) Nepal's mission is dedicated to 'institutional strengthening of Nepal institutions relevant to conservation and environment management'. IUCN produced the National Conservation Strategy, the Nepal Environment Policy and Action Plan, has been involved in national and local level planning and strategies for environmental conservation, education programmes, surveys and publications. IUCN's tourism programmes have been associated with ecotourism and village tourism in Pokhara Valley, the Kanchenjunga Conservation Area and rhododendrons in Milke Jaljale area. Currently, IUCN is assisting the National

Planning Commission with preparation of the National Strategy of Sustainable development that includes a section on tourism. (NEP, 2001)

Tourism for Rural Poverty Alleviation Programme (TRPAP) was a national community-based pro-poor tourism programme operating under the umbrella of Ministry of Culture, Tourism and Civil Alleviation. The programme was launched in September 2001 with assistance from United Nation Development Programme (UNDP), Department of International Development (DFID) and Netherlands Development Organization (SNV-Nepal). The programme operated in 6 districts, 48 VCDs, covering 28,337 households, with 1,60,732 beneficiaries. The 6 programme districts of TRPAP were: Taplejung, Solukhumbu, Rasuwa, Chitwan, Rupendehi and Dolpa.

The major aim of TRPAP was to contribute to the single key strategic goal of poverty reduction of the then His Majesty's Government of Nepal (then HMG/N) through sustainable rural tourism development that was pro-poor, pro-environment, pro-rural communities and pro-women (TRPAP, 2003).

4. 4 Institutional Infrastructures for the Promotion of Tourism

Institutions play a crucial role for the development of tourism in a sound way. Both the government as well as non-government institutions create the basis for the promotion and development of tourism. Tourism being a service industry, adequate institutional support mechanisms and other services are essential to foster its proper development. The processes and services should be standardized through clearly designed and formulated policies and regulations. The Government has a significant role in the formulation of

policies, rules and regulations for the effective implementation of development works of tourism through different plans. Without the support of the government, the development of tourism industry in any country is unthinkable. Here the researcher has tried to highlight the role played by various Ministries and Departments of the Government of Nepal for the development of tourism. Here, the researcher has also tried to highlight the development of institutional infrastructures and the promotion of tourism.

4. 4.1 Development Plans in Nepal

The First – Five Year Development Plan (1956-1961)

The national Plan has recognized tourism as a crucial alternative economic activity of the country. Tourism is also considered as a priority sector due to its potential to contribute in providing rural employment and increasing the income at the local levels. It has contributed to increase the domestic and international investments in the productive sectors (Dhakal, 2008:151).

Realizing the immense potentialities for tourism development in the country under the first five year plan, first of all, Tourism Development Board was established in 1957 under the Department of Industry. The Board was transferred to the care and concern of the Ministry of Transport and Communication in 1958 and it was again upgraded to the department level in 1959. During the plan period, Nepal acquired membership of different tourism organizations and upon request from the government, two tourism advisors from France, Mr. George Lebree and Dr. Ith from Switzerland had come to Nepal to develop tourism in a planned manner. The setting up of hotels of various standard, establishments of travel agencies, development of Tribhuvan International Airports and tourist guide training were some of the

achievements of the first five year plan. The former Royal Nepal Airlines Corporation was also established in 1958 (Shrestha, 1998).

The Second *Three Year Development Plan (1962-65)* also targeted to increase the number of hotel beds up to 110 and for this NIDC established in 1959 had provided loans to the private entrepreneurs for the purpose of increasing accommodation of international standards. During this period emphasis was given for the establishment of travel agencies. Priority was given for the development of spots of tourist interest in Kathmandu, Pokhara, and Lumbini. Besides these, the **enactment of the Tourism Act 1964 (2021 BS)** was passed to provide rules and regulations for the tourism development. NATA was also formed during this period (1966) to conduct tours for the convenience of foreign tourist. It has also diversified tour from Kathmandu to Pokhara and Lumbini as well. In the process of diversification of tourism, it had anticipated to increase the number of airports (Shrestha, 1998).

In the *Third Five Year Development Plan (1965-70)* – efforts were made to increase the number of tourist as well as foreign exchange earning through the maintenance and repair of temples in Kathmandu and conservation of historical places. During this period to make the visitors feel comfortable like at home, an attempt had been made to simplify the legal and administrative procedure. So it was shifted from **Ministry of Transport to Ministry of Industry and Commerce in 1967.**

During the *Fourth Five Year Development Plan (1970-75)* – period a major breakthrough was made in the form of formulating the **first Tourism Master Plan in 1972.** This master plan was the outcome of joint cooperation of Federal Republic of Germany. It was considered to be a turning point to

develop tourism in Nepal. Its emphasis was on developing qualitative tourism and projected Nepal as a destination on its own merits and called for a sustained and concerted effort on the part of the government and the private sector. According to the recommendation of the Master Plan (1972) – the government of Nepal had established a separate **Ministry of Tourism in 1977**. Before this, the functions of this Ministry were carried out by the Ministry of Industry and commerce since 1967 (Shrestha, 1998: 22-25). On the whole, the Fourth Plan and the tourism Master Plan appeared to be the first clear evidence of self awareness that recognized the importance of developing Nepal as a distinct tourist centre.

The *Fifth Five Year Development plan (1975-80)* noted to maintain close coordination among various economic and social sectors of the economy with a view to preserving the natural, cultural and historical heritage of the country and to create basic infrastructures needed for the development of tourism, and efforts have been made to increase the foreign exchange earning by promoting industries. During this period, the policies were framed to implement the plan objectives. However, Ministry of Tourism established in 1977 became a full-fledged ministry (Shrestha, 1999). This plan had allocated a budget of Rs. 20 million for the tourism development program such as international publicity, establishment of tourist information centre, hotel management and tourism training centre. Besides these, Nepal received the membership of the **International Union of Official Travel Organization (IUOTO)** and other world organizations concerning tourism.

Similarly, the *Sixth Five Year Development Plan (1980-85)* was almost an extension of the fifth five year plan. During this plan period it was tried to lay emphasis on the development of infrastructure for tourism promotion.

Allocation of resources for tourism development had increased during this Plan and a separate development budget of Rs 60 million was also allocated for tourism. During this period **the first Tourism Master Plan was reviewed (1984)** for the second time.

During the *Seventh Five Year Plan (1985-90)* Nepal Tourism Development Program (**NTDP-1990**) was prepared with the help of Asian Development Bank with certain objectives like- improving the balance of payment, generating employment opportunities, including the duration of length of stay of tourists. These tasks had not been accomplished due to the problem of supply of necessary materials, lack of appropriate policy, incentives, appropriate rules and regulations for the promotion of tourism. The Ministry of Tourism was later renamed as **Ministry of Tourism & Civil Aviation in 1991**.

The *Eighth Five Year Development Plan (1992-97)* was bold enough to acknowledge the defects of policies pursued and their net effects on achievements. During this period with a view to develop tourism as a backbone of the national economy and to maintain the coordination and harmony among various agencies related to tourism, the government of Nepal constituted a 30 member high level **National Tourism Council (1992)** under the chairmanship of the Prime Minister in 1992. The main activities of this council were to solve problems faced by the tourism sector, to issue policy guidelines to the executive agencies, Ministry of Tourism and Civil Aviation, Department of Tourism and Tourism Development Board and to review progress and achievements. The Eighth Plan had taken a leading role to be played by the private sector for the development of tourism. Rs. 3719 million

had been allocated in this plan for the program related to the tourism sector including Civil Aviation.

National Civil Aviation Policy (1993) - the Government of Nepal announced National Civil Aviation Policy in 1993 to make the air transport services competent and efficient in order to attract more international tourist during the eighth plan.

The major objectives of the policy were to develop international air transport services, expand air transport and airports in the remote area of the country, encourage recreational, adventure and research oriented air facilities and to make air transport reliable and safe through the installation of modern equipments at the airport. To fulfill the above objectives, the policy formulated many strategies like declaring the air transport and airports as 'essential service' so that no concerned unit will be permitted to participate in any type of strike (Subedi, 2006).

Likewise, **The Department of Civil Aviation** shall be the sole aeronautical authority of Nepal. Also it had carried out policies and guidelines adopted by the Ministry of Tourism, Culture and Civil Aviation, which was later transformed to The **Civil Aviation Authority of Nepal in 1996**. **Nepal Civil Aviation Policy was amended in 1996** for the first time seemed to have made a provision to encourage the private sector to operate air services both in domestic and international sector (CAAN, 2006).

Tourism Council and Nepal Tourism Board

Then His Majesty's Government had constituted a high level Tourism Council under the Chairmanship of the Prime Minister with 30 members. The main objectives of the council were to develop tourism as the backbone of the national economy and to maintain coordination and harmony among various agencies related to tourism. The tourism council had prepared "**Tourism Policy 1995**" which was the first separate policy in the tourism sector of Nepal. The main functions of this council were to solve problems faced by the tourism sector, to issue policy guidance to the executive agencies. Moreover, in the said tourism policy there is a provision of Tourism Development Board. The decision to establish a separate autonomous Nepal Tourism Board (NTB) was taken in line with similar institution in South East Asian countries, like Thailand, Singapore, Malaysia, Hong Kong and Indonesia, where tourism had flourished. The "**Nepal Tourism Board Act 2053**" was passed by the parliament on December 1996 and obtained the **Royal Seal on February 1997**. The rules, administrative and financial procedures for the NTB have been prepared through a consultative process with both the private sector and the government.

The NTB, according to the Act, is to be an autonomous institution consisting of Board of Directors, 5 ex-officio members from then HMG and 6 private sector representatives including the Chief Executive officer to be appointed through an open selection process. The Board's Chairman designate is the secretary of the Ministry of Tourism and Civil Aviation. The major areas of focus and objectives of NTB are:

- To develop and introduce Nepal as an attractive tourist destination in the international market place.
- To promote the tourism industry in the country while working for the conservation of natural, environmental and cultural resources
- To work towards increasing the gross domestic product and foreign exchange income by means of promoting the tourism industry.
- To work towards increasing employment opportunities in the same industry.
- To develop Nepal as a secure, dependable as well as attractive travel destination by establishing a respectable image of Nepal in international travel trade community
- To work towards providing quality service to the tourists visiting Nepal.
- To promote and develop institutions for the promotion of tourism industry.

The *Ninth Five Year Development Plan (1998-2002)* had recognized high prospect of tourism, thus the plan had proposed to develop tourism in accordance with the natural, social-cultural and religious environment of the country. The plan had set the target to increase tourist arrivals by an average annual 10 per cent and foreign exchange earning by 20 per cent and to achieve these targets, a number of programs and activities had been proposed. During this period, emphasis was given for the promotion of tourism in the international market (Shrestha, 1999:190).

Visit Nepal Year 1998 was a landmark in the history of tourism development in Nepal. A year long tourism event Visit Nepal year 1998 was a mega promotional effort initiated by the Government of Nepal. Since, then the

government has accorded the priority to the Visit Nepal year 1998 program. It has become a part of the national strategy to revitalize the reposition Nepal's image in the international arena of tourism.

The *Tenth Five Year Development Plan (2003-2007)* - This plan was formulated on the basis of unique challenges experienced in the past particularly on the series of negative incidents as the hijacking of Indian Airlines flight from Kathmandu, tragic incidents in the Royal Palace, September, 11, 2001 attack, rising social disturbance due to frequent bandh and strikes called by political parties, nationwide imposition of emergency and the reduction in the number of international schedule flights (Shrestha, 2008:210).

During this plan period, efforts were made to give clear direction to the tourism sector, preparation of an integrated tourism master plan, and review and timely revisit of tourism policy were at final stage. Investment in travel trekking, rafting and pony trekking business have been opened for foreigners in line with the policy of promoting foreign investment in the tourism sector.

Destination Nepal (2002-03) - Destination Nepal Campaign was started from 2002 and ended in December 2004, as a two year program. The International year of Eco Tourism 2002, The International Year of Mountain Tourism 2003 and Visit South Asia 2003, were also integrated under this campaign. NTB had already implemented Destination Nepal Campaign with partnership between the government and private sector to promote tourism industry and create awareness among the people (Subedi, 2006).

During this plan period, tourism promotion programs were being implemented in the tourism potential countries, particularly focusing India and China and other countries like Japan, Singapore, Malaysia, Thailand and Bangladesh (Economic Survey, 2006/07) Besides this, **Pokhara Visit Year 2006/07** had been celebrated to attract more tourists and restore image that was damaged by the conflict before the historical peace accord was signed.

Recently, Nepal announced a reposition of its tourism brand in **March 5th** “**Naturally Nepal**”, with the slogan “**Once is not Enough**”. Nepalese tourism industry has felt necessary to reposition its image in the international tourism market with a popular brand amidst a stiff competition among destinations. This new brand was a contemporary approach to promotion which Nepal’s tourism industry had taken to enhance the image of the country in the competitive world of destination promotion.

The New Tourism Brand was adopted by all the travel trade and other concerned agencies that market Nepal nationally or internationally (Travel Daily, 2006).

The Eleventh Three Year Interim Plan (2007/08-2009/10)

The Period of the Tenth Plan was over by mid July 2007. The government has formulated the three year interim plan for the nation. Under the interim plan, tourism is recognized as an economic sector for the employment generation and poverty reduction. The plan focused on the re-construction of destroyed infrastructure due to more than a long decade conflict for the development of the tourism sector. The tourism mentioned under the current plan or interim plan can be explained as follows:

Vision

The vision of Interim Plan is to contribute to increase national economy, increase employment and minimize poverty by establishing Nepal as a safe, attractive and unique destination globally. It aims to establish the tourism sector as one of the main streams of national economy. It includes the conservation and promotion of cultural diversities, conduction, promotion, expansion and diversification of the tourism sector.

Objectives

The objectives of Interim three-year plan related to Culture, Tourism and Civil Aviation:

1. To establish Nepal as a main attractive destination of the world.
2. To develop the tourism industry as a main stream of the national economy.
3. To contribute on the sustained development by increasing the employment and increase the living standard of the people of Nepal with the help of diversification and expansion of tourism sector.
4. To develop the existing Aviation Industry of Nepal to the standard of the world aviation industry.
5. To develop a safe, effective, reasonable and reliant air service.
6. To solidify, conserve and promote the cultural and archaeological heritage.

Table 4. 9 Quantitative Targets of Interim Plan

Emphasizing to recover the opportunities of the Ninth Plan period, the following annual quantitative targets have been fixed for the Tenth Plan Period:

Particulars	2063 (2005)	F.Y. 2066/67 (2009)
Tourists Arrival (in thousands)	365	700
Tourist stay period (days)	9.1	13
Foreign Currency earning (in million US\$)	148	300
Earning per tourist per day (US\$)	58.5	63
Contribution to GDP (%)	1.2	3
Employment: Direct (thousands)	83	100
Regular International Flights (number)	17	22
Availability of one-way air seat in international sector (thousand)	2850	3150

Source: Interim plan, 2007/08, National Planning Commission, Government of Nepal.

Tourism Policy under Current interim Plan

Interim Plan focuses on the following Tourism policies:

Infrastructure Development: The interim plan focused on the reconstruction and re-establishment of destroyed tourism infrastructure due to the conflict by determining priority.

Maintain the Record of Cultural heritage: Interim Plan aims to maintain the records of national cultural heritage for solidification, conservation and promotion for the development of tourism. It focused on the preparation of master plan and implementation of the important heritage.

Conservation and Solidification of Copy Right: The plan aims to re-establish the image of Nepal by promoting the tourism to the potential market.

Main Economic Sector: Interim Plan recognized the tourism as a main economic stream of national development.

Diversification and Expansion of Tourism Sector: Interim plan focused on the diversification and expansion of tourism sector. The plan focused sport tourism, adventure tourism, conference tourism, film tourism, eco- tourism and sustainable tourism.

Development of Human Resource: Interim plan focused on the development of the human resource for tourism and aviation sector. It also focused on the improvement of the academic and training institutions related to tourism and civil aviation for the development of professional human resource for tourism and aviation sector.

Development of Civil Aviation: The plan focused on policy and instructional improvement related to Culture, Tourism and Civil Aviation. It also aimed to attract the investors to invest on the aviation sector for the operation of airlines, construction of airports, services related to operation and management etc. (Interim Plan, 2007/08).

4.5 Tourism Promotion and Marketing Effort for Tourism Development in Nepal

Promotion is very important for the development of tourism. Tourism is such an activity which is based on products and services. So for the marketing of tourism services, it should be promoted by different ways. Nepal Tourism Board has certain statutory responsibilities assigned by Nepal Tourism Board Act – B.S. 2053. The main responsibilities of NTB are to develop and introduce Nepal as an attractive tourist destination in the international marketplace as well as to promote the tourism industries in the country as a whole. Under the promotion and development activities, it has initiated various efforts to promote tourism and market in the form of Nepal as a sustainable destination.

In order to boost up tourism promotional activities, it has participated in different international fairs/exhibitions, conferences, seminars, meetings in different countries. It has been using the new approach of sub brand i.e. Visit Pokhara year 2006/07 which was launched and promoted vigorously in various fairs, road shows, and publicity has been made internationally. It has also planned to help for the selection of destination to the international consumers and traders and to seek new platforms and areas to promote Nepal to enhance the number of visitors, their length of stay and expenditure patterns. However, to fulfill this goal, Nepal Tourism Board under the Tourism Marketing and Promotional activities have followed direct marketing through interaction i.e. face to face approach with travel trade, as well as consumers in the form of fairs, sales missions, road shows and special consumer oriented campaigns (NTB, 2007/08).

Despite the best efforts put together by NTB, Nepal Government and the private sector, its objective to make Nepal the most premier holiday destination has not been achieved as desired, owing to the series of adverse socio-political and global socio-economic turn of events. Besides this, with the growing impact of media which have fallen on international travelers, the idea of developing a Media Center emerged as a forum to disseminate correct and reliable information about Nepal's tourism. Recognizing the media's role in influencing public opinion throughout the world, Nepal Tourism Board with consultation with various stakeholders has established a Media Center within its existing set up. It was established in 2003 with the objective to facilitate Nepal based foreign journalists as well as national media community by disseminating accurate information related to Nepalese tourism products and activities. It has been playing an active role by interacting with the international media in promoting Nepal and its image as a premier destination (NTB- 2007:44).

Table 4. 10 Tourism Marketing and Promotion Expenditure of Nepal Tourism Board (FY 1999/2000 – 2008/09)

Rs in Million

FY	Expenditure In Marketing & Promotion	Annual % Change	Total Income from TSF	Annual % Change	% Share of Tourism Marketing & Promotion Activities in Total Tourism Fees
1999/00	26.8	-	57.8	-	46.4
2000/01	46.9	75	90.0	55.7	52.1
2001/02	46.2	-1.5	88.0	-2.2	52.5
2002/03	36.0	-21.7	69.2	-21.4	52.0
2003/04	27.0	-25.0	54.6	-21.1	49.4
2004/05	57.0	111.1	70.2	28.6	81.2
2005/06	55.4	-2.8	99.8	42.2	55.5
2006/07	62.5	12.8	156.7	57.0	49.8
2007/08	63.0	0.8	200.6	28.0	31.4
*					
2008/09*	71.4	13.3	229.0	14.2	32.2
*					

Source: National plan of various years.

** TFS-Taken from NTB-Unleash Yourself in Focus, 2007*

NTB – Unleash yourself, In Focus 2007

***Proposed Budget Allocation- NTB- Annual Operational Plan 2008/09:15*

Tourism service fee (TSF) is the main source of income of Nepal Tourism Board and it has been collecting Rs. 500/- as tourism service fees since 2061

from each departing passenger at Tribhuvan International Airport, Kathmandu (NTB, 2007:4).

Nepal Tourism Board is a statutory body. It is actively involved in hosting and participating tourism related programs both nationally and internationally. Table **4.10** reveals the expenditure incurred by NTB in various years.

The expenditure incurred by NTB was reported to Rs. 26.8 million in 1990/00 for the tourism marketing and promotional activities. Basically the international market has been divided into three main components such as, primary, secondary and potential markets on the basis of the number of tourist arrival, the average length of stay and tourism receipts. NTB has followed a policy of rather than spending the available resources in all countries for promotion, it has spent on the basis of priority of the market. Hence, on the basis of such policy its promotional expenditure accounted to Rs. 46.2 million in 2001/02 to Rs. 63.0 million in 2007/08 for the promotion of destination and marketing in the international arena (NTB, 2007/08).

The table (4.10) also shows that the total income of NTB from tourist service fees was reported to have increased significantly from Rs.57.8 million in 1999/00 to Rs.200.6 million in 2007/08 with some fluctuation over the years. However, as it has certain statutory responsibilities assigned by its Act for the promotion of tourism, the allocated resources for the marketing and promotion of tourism did not seem sufficient compared to other South East Asian countries (NTB, 2007/08).

4.6 Conclusion

In Nepal, private sectors are the leaders in promoting tourism. After the opening of the door of tourism for international visitors, there has been a gradual development of private business association. The development of different sectors of tourism i.e, hotel, travel trade, airlines services, trekking, and mountaineering and their quality maintenance, problems, image promotion, operation and promotion of tourism business are being carried out by the private sector.

Tourism product has no mobility like other physical products. So the country linked by a network of well organized transport receives a higher number of tourists. However, realizing the importance of the road transport, various efforts were made to construct roads and bridge linking many isolated villages since 1951.

The role of air transport in the field of tourism is becoming increasingly important and it is the key factor in the growth of a number of international tourists. Traffic trends in the international as well as domestic sectors were growing with some fluctuations during the period of 1991 to 2005.

Communication is a key factor for the development of tourism. In the tourism arena, communication is needed for rescue, security as well as marketing purposes. Realizing the importance of communication in the overall development of a country, special attention has been given in this sector since the first five year plan (1956/57- 1960/61).

Accommodation is also one of the most essential prerequisites for the development of tourism. It provides the various types of physical facilities to meet the expectations, wants and needs of the travelers. The growths of

international visitors have led to the growth of different star and non-star hotels. Due to the realization of quality and quantity of tourist coming to Nepal and to meet the demand of the growing number, there has been an addition in the number of hotels and its bed capacities. As for the coverage of tourist flow in Kathmandu valley, the growth of the hotel industry is also heavily concentrated in Kathmandu followed by Pokhara Valley. After the opening of the door for international tourists, the growth of travel agencies, trekking and rafting agencies have also increased significantly.

For the development of tourism there has been a need for the construction of different infrastructure, preservation and maintenance of man made, natural and historical places, which may not be sufficient for the efforts made by the government as well as private parties. As such, there are many international organizations which are assisting in the development of tourism in the form of natural, cultural, and heritage conservation of Nepal.

Realizing the immense potentialities for tourism development in the country under the first five year plan, first of all the Tourism Development Board was established in 1957 under the Department of Industry. Similarly, in the fourth five year plan (1970-75), the first Tourism Master Plan (1972) was formulated. During the fifth five year plan (1975-1980), the Ministry of Tourism was established. Currently, under the sixth five year plan (1980-85), emphasis was laid upon the development of infrastructure for the promotion of tourism and the first tourism master plan was revised. Currently, under the seventh five year plan (1985-1990), Nepal Tourism Development Program was prepared for the improvement of balance of payment, and generation of employments. In the same way, various development works have been conducted for the promotion of tourism during the eight five year plan (1992-97). During this plan period Nepal Civil Aviation policy was amended and Nepal Tourism Board Act-2053 B.S. was passed by the parliament. Similarly,

a tourism brand Visit Nepal Year 1998 was also declared in the ninth five year plan 1998-2000. Likewise, the promotional activities like- Destination Nepal 2002-2003, Visit Pokhara Year 2006/07, a new tourism brand – Naturally Nepal "Once is not Enough" were also started under the tenth five year plan 2003-2007, while in the eleventh three year interim plan (2007/08-2009/10), tourism is recognized as an economic activity for employment generation as well as poverty alleviation.

Promotion is very important for the sustainable development of tourism. There are various private parties, semi government and government agencies who are engaged in promotional activities. However, Nepal Tourism Board is a statutory body, and it is an institution that has full responsibility for promoting tourism in the international, as well as national levels. Tourism service fee is one of the main sources of finance of Nepal Tourism Board for the promotion of tourism. It has to meet all those expenses including its administrative expenditure with this limited money. As a result, instead of spreading the available resources in all countries, it has tried to allocate budget for the promotion on the basis of priority. However, the financial constraint, the budget allocated by the NTB did not seem sufficient compared to other Asian countries.

CHAPTER FIVE

Tourism Market Segmentation

5.1 Introduction

Tourism is as a labour intensive service and foreign currency earning industry. The success of this industry depends upon the supply of the quality product, services and facilities to meet the demand of the tourists. As it is a highly competitive industry, the main objective of this study is to understand the needs and wants of the customer by providing a better product or service than that of the competitors. Under this chapter, the researcher has realized to segment the tourism market on the basis of geographic, demographic and the usage of the product and service for the identification of needs and wants of different types of tourists and to develop marketing activities and programs accordingly. The views of different scholars and academicians have also been incorporated here under.

A market consists of buyers, who differ in terms of their needs, buying power, buying motives, buying attitudes, and locations. Market segmentation recognizes this reality and divides the total market into distinct groups of buyers having different needs and characteristics (Koirala, 2057:52).

Jha, (1994:59) expresses that an organization is expected to cater to the needs of customers. All customers have their own likes and dislikes. In other words, each consumer possesses some elements of uniqueness, which makes the task of assessing the needs of customers a bit difficult. The task of fulfilling the needs of all kinds of customers is very difficult. The segmentation of market is considered to be the finest solution. If the segmentation is right, the task of satisfying the customers would be easier.

Since marketing is centrally concerned with consumer orientations the tourism planner should identify and understand their customer's needs and wants. In a competitive tourism marketing business, to cater to the needs of different people living in different places of the world, tourism marketing segmentation seems to be beneficial both to the organization as well as the customer.

Mercer (1992:252) expressed that segmentation is a strategy used by vendors to concentrate, and thus optimize the uses of their resources within an overall market.

Seaton, (1999) describes that segmentation is the most extensively researched area in tourism marketing. Both academics and practitioners have produced thousands of studies specific to particular markets on what tourism consumers are like. There are also few tourism organizations of any significance, which do not periodically carry out visitor's profile. Large organizations such as airlines, hotel chains and tour operators maintain sophisticated IT databases, so that it is possible for them to make ongoing longitudinal analysis (i.e. analysis of their customer profiles over time).

Jaishi (2008:100) has expressed that marketing segmentation is very important in tourism to identify the needs and wants of visitors and to sell the destination as per the segmentation. He has claimed that marketing segmentation in tourism can be obtained on the basis of the following dimensions and characteristics.

Table 5.1 Dimension or Characteristics of Tourism Market

Dimension	Characteristics
Demographic	Income Education Employment Status Age/Gender Marital Status Family Status Race/Ethnicity
Psychographics	Personality Beliefs Attitudes Values Isolate these with green values and lifestyles
Trip Characteristics	Holiday Day or overnight visiting friends and relatives Travel Mode (car, bus etc.)
Distribution	Determine if the visitor is an independent traveler or will buy packages. Do they use travel agents or ticketing services?
Frequency	One Time or Frequent Visitors

Jaishi (2008:100) has segmented the tourism market on the basis of dimension or characteristics of tourists.

5. 2 Geographic Segmentation

As tourism is a highly competitive business to capture the market of more potential tourists, the organization needs to understand the actual needs and wants of all kinds of tourists. The markets are basically segmented on the basis of the following elements.

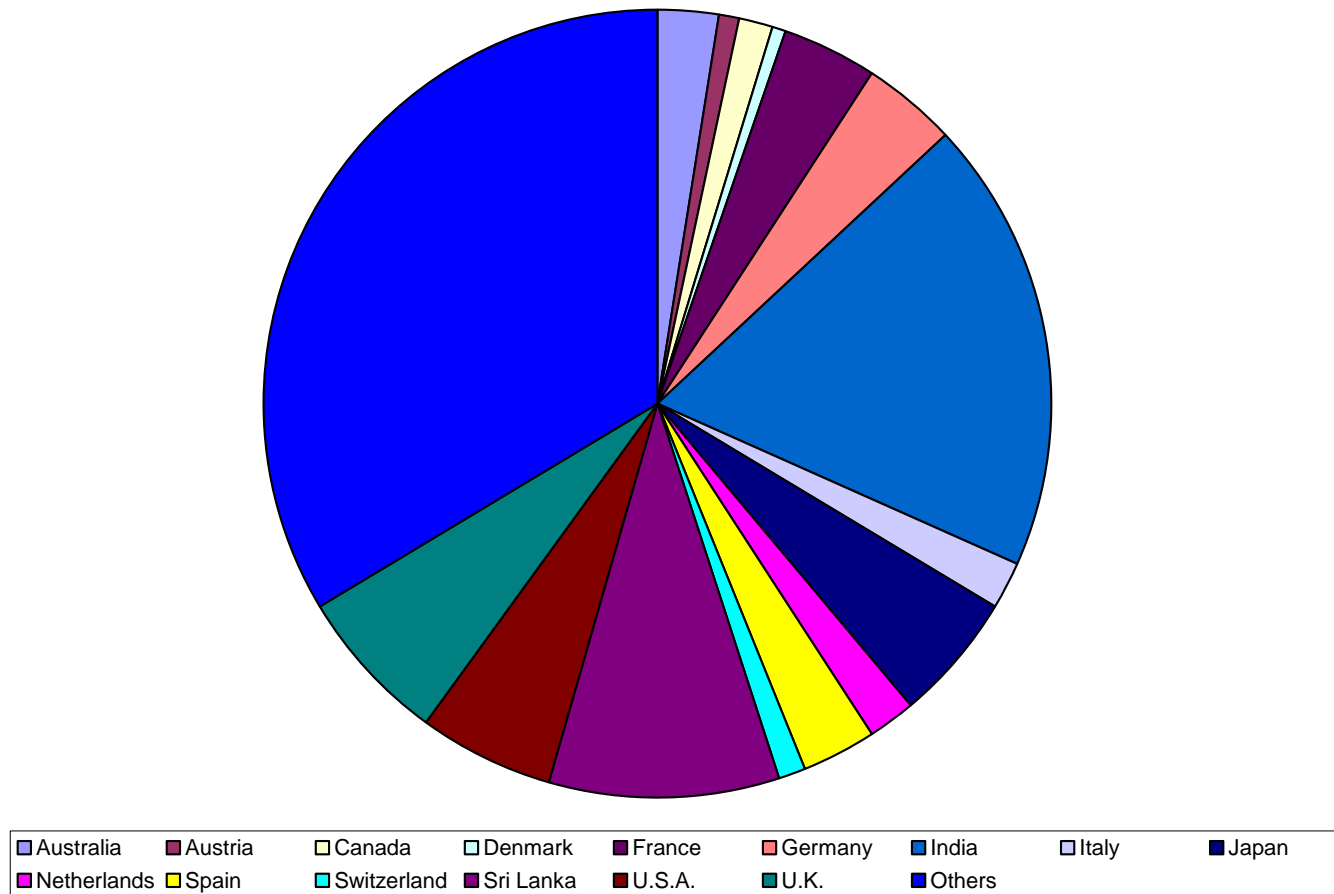
Geographical segmentation is the most primary form of market segmentation. Under the geographic segmentation, tourism markets are segmented on the basis of the area, topography, climate, and population density. However for this study, tourism market is segmented on the basis of the country of residence, continents and the seasons of the years.

Table 5.2 Tourist Arrival by Country of Residence (1986 – 2007)

Country	1986	1990	1992	1994	1996	1998	2000	2002	2004	2005	2006	2007
Australia	11072 (5.0)	10249 (4.0)	8871 (2.7)	7947 (2.4)	9720 (2.5)	11132 (2.4)	12189 (2.6)	7159 (2.6)	9671 (2.5)	7093 (1.9)	8231 (2.1)	12369 (2.3)
Austria	2791 (1.2)	2624 (1.0)	3119 (0.9)	2927 (0.9)	4163 (1.1)	4603 (1.0)	5221 (1.1)	3140 (1.1)	4341 (1.1)	3007 (0.8)	3474 (0.9)	4473 (0.8)
Canada	4398 (2.0)	4917 (1.9)	5167 (1.5)	4432 (1.4)	5480 (1.4)	7136 (1.5)	8590 (1.9)	3747 (1.4)	4825 (1.3)	4168 (1.1)	4733 (1.2)	7399 (1.4)
Denmark	2257 (1.0)	2840 (1.1)	3265 (1.0)	3332 (1.0)	4454 (1.1)	4781 (1.0)	4847 (1.0)	2040 (0.7)	2633 (0.7)	1770 (0.5)	1956 (0.5)	3157 (0.6)
France	15117 (6.8)	19909 (7.8)	22669 (6.8)	18638 (5.7)	19913 (5.1)	21992 (4.7)	24506 (5.3)	13376 (4.9)	18936 (4.9)	14108 (3.8)	14835 (3.9)	20250 (3.8)
Germany	15636 (7.0)	18565 (7.3)	23887 (7.1)	44530 (13.6)	24963 (6.3)	23862 (5.1)	26263 (5.7)	15774 (5.7)	16025 (4.0)	14345 (3.8)	14361 (3.7)	21323 (4.0)
India	55195 (24.7)	59764 (23.4)	106574 (31.9)	102540 (31.4)	122572 (31.1)	143229 (30.9)	95915 (20.7)	66777 (24.2)	90326 (23.4)	95685 (25.5)	93722 (24.4)	96010 (18.2)
Italy	9474 (4.2)	11952 (4.7)	13427 (4.0)	9715 (3.0)	10258 (2.6)	12864 (2.8)	11491 (2.5)	8057 (2.9)	12376 (3.2)	8785 (2.3)	7736 (2.0)	11243 (2.1)
Japan	12133 (5.4)	15021 (5.9)	19533 (5.8)	19478 (2.8)	28923 (7.3)	37386 (8.1)	41070 (8.9)	23223 (8.4)	24231 (6.3)	18239 (4.9)	22242 (5.8)	27058 (5.1)
Netherlands	4372 (2.0)	5972 (2.3)	9478 (2.8)	8669 (2.7)	8718 (2.2)	14403 (3.1)	16211 (3.5)	8306 (3.0)	11160 (2.9)	8947 (2.4)	7207 (1.9)	10589 (2.0)
Spain	4229 (1.9)	8515 (3.3)	11272 (3.4)	6228 (1.9)	8658 (2.2)	8832 (1.9)	8874 (1.9)	5267 (1.9)	11767 (3.1)	8891 (2.4)	10377 (2.7)	15672 (3.0)
Switzerland	5298 (2.4)	5278 (2.1)	5914 (1.8)	4921 (1.5)	5961 (1.8)	6644 (1.4)	6230 (1.3)	3352 (1.2)	3788 (1.0)	3163 (0.8)	3559 (0.9)	5238 (1.0)
Sri Lanka	903 (0.4)	1536 (0.6)	858 (0.3)	888 (0.3)	5758 (1.5)	11031 (2.4)	16649 (3.6)	9805 (3.6)	16124 (4.2)	18770 (5.0)	27413 (7.1)	49947 (9.5)
U.S.A.	23553 (10.5)	21426 (8.4)	22189 (6.6)	21646 (6.6)	25155 (6.4)	35902 (7.7)	40442 (8.7)	17518 (6.4)	20680 (5.4)	18539 (4.9)	19833 (5.2)	29783 (5.7)
U.K.	17740 (7.9)	23877 (9.4)	26492 (7.9)	622504 (6.9)	29466 (7.5)	35499 (7.7)	37765 (8.1)	21007 (7.6)	24667 (6.4)	25151 (6.7)	22708 (5.9)	32367 (6.1)
Others	39163 (17.5)	42440 (16.7)	51638 (15.4)	4805 (14.7)	78511 (19.9)	84388 (18.2)	107383 (23.2)	66920 (24.3)	11745 (29.5)	124737 (33.2)	121539 (31.7)	176312 (33.5)
Total	22331 (100.0)	254885 (100.0)	334353 (100.0)	326531 (100.0)	393613 (100.0)	463884 (100.0)	463646 (100.0)	275.468 (100.0)	385297 (100.0)	375398 (100.0)	383926 (100.0)	526505 (100)

Source: Nepal Tourism Statistics 2007, MoCTCA

Figure 5.1 Tourist Arrivals in Nepal by Country of Residence in 2007



The above table 5.2 shows the representation of different nationalities in the tourism market of Nepal. It was reported that India covered 24.7 per cent market of Nepal in 1986. It was by far the most important source of tourism market of Nepal. The number of tourist arrivals from India was always higher than the European market, though there was no rising trend in their figure observed in some years. In the year 2001, the number of Indian tourist arrivals in Nepal was reported to have fallen to 17.8 per cent owing to the hijacking of Indian Airlines on 24th December, 1999. As there are similarities in culture, religion and family relation between the two countries and the easy access from different border areas of Nepal, number of Indian tourists' arrival again rose to 25.5 per cent in 2005. However owing to the frequent Terai Bandhs and Chhaka Jam, there was a rapid decline in their arrival from 24.4 per cent in 2006 to 18.2 per cent in 2007.

In 1986, **USA** was the second highest market source of Nepal which constituted 10.5 per cent, followed by UK (7.5%), Germany (7.0%), France (6.8%), Australia (5.0%), Italy (4.2%) and Switzerland (2.4%) and for more than one decade its market fluctuated. All the same, owing to the incident of September 11-2001, the devaluation of the US dollar and Euro, as well as political instability in the country, the representation of USA declined gradually from 8.7 per cent in 2002 to 5.2 per cent in 2006. However, with the improvement in political conditions and creation of favourable environment for the tourists, the visitors' number increased to 5.7 per cent in 2007.

UK was one of the prominent market sources of Nepal. Since 1990 overtaking USA (8.4%) by 9.4 per cent, it was holding a second highest position in the tourism history of Nepal except 1993, 1994, and 1995. It was also noticed that UK was representing a significant percentage of market of Nepal up to the

year 2001 by 9.3 per cent and since 2002 UK's representation was found to have declined gradually up to the level of 5.9 per cent in 2006 due to the security concern of Nepal. However, after the publicity of positive message of Nepal there was an incensement in their arrival to around 6.1 per cent in 2007.

Germany was also holding the largest market share of Nepal. German representation in the tourism market of Nepal was very high up to the year 1994 by 13.6 per cent. Since 1995 Nepal experienced a compound decline in their arrival till 2006. However, with the end of a decade long armed conflict, their arrival increased to 4.0 per cent in 2007.

Japan has had a good friendship with Nepal for a long time. The number of Japanese visitors' arrival increased from 5.4 per cent in 1986 to 8.9 per cent in 2000. Since 2001, a marked decline was observed from 8.0 per cent to 4.5 per cent in 2005. The total tourist arrivals from Japan again rose to 5.8 per cent in 2006. However, it was dropped to 5.1 % in 2007. Japan has helped Nepal for the development of the tourism industry by providing financial and technical support for the construction and maintenance of the Tribhuvan International Airport and its terminal building.

France was also one of the important sources of tourism market of Nepal for a long time and it has had a very good relation with Nepal till now. There was strong market coverage of France up to the year 1992. Since 1993 owing to the lack of marketing activities the market share of France gradually dropped to 3.8 per cent in 2007.

In 1986, **Australia** was recorded among the top seven largest markets of Nepal, followed by Italy, Switzerland and Canada. However, since 1990 the

market share of Australia decreased gradually from 4.0 per cent to 2.1 per cent in 2006 with a slight increase in the arrival by 2.3 per cent in 2007.

Italy was also among the top ten market source of Nepal. The market share occupied by Italy accounted to 2.1 per cent in 2007.

Spain is increasingly becoming a promising European market for Nepal after the visitors' arrival reached the best growth level from 1.9 per cent in 2002 to 2.7 per cent in 2006. The recent growth of Spain observed a very encouraging number which constituted 3.0 per cent in 2007.

Sri Lanka has been taking interest in Nepal and the market share occupied by Sri-Lanka accounted to 2.4 per cent 1998, which gradually increased to 9.5 per cent in 2007. This shows that after India (18.2%), Sri Lanka represents the second highest (9.5%) market source of Nepal). Overtaking all the European countries, Sri Lanka has been showing a keen interest in Nepal with its strong Buddhist culture. It has helped indirectly for the development of tourism by providing financial support for the development of Lumbini, the birth place of Lord Buddha.

Netherlands have been considered as one of Nepal's most loyal markets. Since 1986 to till 1997 it was reported to have covered more than 3 per cent market share of Nepal. However, from 2002 onwards owing to the growing reluctance over security its share of occupancy in the total tourism market of Nepal decreased to 2.0 per cent in 2007.

Please refer to Annex –A

5. 2. 1 Tourists Arrival in Nepal by Continents

In the beginning of the tourism history, in the early 1960's, North America occupied the major market share of Nepal followed by Western Europe and Asia. However, after mid 1960's to 1973, Western Europe occupied the first position in place of North America, and North America secured the second position with Asia in the third. The table 5.3 depicts that there was a change in arrival from 1974 to 1990 in which the market occupancy of North America was found to have declined gradually to the third position with Western Europe in the first and Asia in the second position.

This scenario of market was found to have changed gradually and since 1991 to till now, Asia including India has been covering the first position in the tourism market of Nepal.

It was also noticed that during the year 2007, there was a marked increase in the arrival from Asia by 57.8 per cent followed by Western Europe (26.7%), and North America (7.1%). This indicates that Nepal's tourism is basically depending upon the Asian market. The study suggests that tourism market of Nepal should be positioned basically suitable for the Asian countries. Similarly, it is also suggested to increase the market share of Western Europe and North America. There is a need for wide publicity with the collective efforts of the government, private parties and the people of Nepal.

Please refer to Annex-B

Table 5.3 Tourist Arrival in Nepal by Continents (1962 – 2007)

Year	North America	Central & S. America	Western Europe	Eastern Europe	Africa	Asia	Australia & Pacific	Others	Not Specified	Total
1962	3724 60.3%	54 0.9%	1980 32.0%	22 0.4%	8 0.1%	250 4.0%	117 1.9%	24 0.4%	-	6179 100.0%
1970	15992 34.8%	584 1.3%	22346 48.6%	440 1.0%	100 0.2%	3841 8.4%	2667 5.8%	0 0.0%	--	45970 100.0%
1974	17161 19.1%	844 0.9%	40455 45.0%	960 1.1%	184 0.2%	24782 27.6%	5405 6.0%	47 0.1%	-	89838 100.0%
1990	26343 10.3%	1872 0.7%	11075 43.5%	3275 1.3%	611 0.2%	98320 38.6%	13108 5.1%	606 0.2%	-	254885 100.0%
1994	26078 8.0%	3083 0.9%	132518 40.6%	2664 0.8%	915 0.3%	150982 46.2%	9905 3.0%	386 0.1%	-	326531 100.0%
1998	43038 9.3%	5937 1.3%	151070 32.6%	6741 1.5%	1795 0.4%	240460 51.9%	14635 3.2%	8 0.0%	-	463684 100.0%
2002	21265 7.7%	2793 1.0%	87912 31.9%	5276 1.9%	1132 0.4%	148670 54.0%	8420 3.1%	0 0.0%	-	275468 100.0%
2004	25505 6.6%	4373 1.1%	116505 30.2%	7661 2.0%	1161 0.3%	218387 56.7%	10947 2.8%	0 0.0%	758 0.2%	385297 100.0%
2006	24566 4.7%	4764 0.9%	97278 18.5%	10613 2.0%	1125 0.2%	231812 44.0%	9763 1.9%	0 0.8%	4005 1.0%	383926 100.0%
2007	37180 7.1%	6486 1.2%	140630 26.7%	16634 3.2%	1350 0.3%	304225 57.8%	14506 2.8%	2177 0.4%	3515 0.7%	526705 100.0%

Source: Tourism Statistics, 2004, 2005, 2006, and 2007. MOCTCA

5. 2. 2 Tourist Arrivals by Months Excluding Indians

Table 5.4 represents the tourist arrivals in term of months (excluding Indians). Nepal enjoys four major seasons, namely winter, spring, summer and autumn. The three months, December, January and February fall within the winter season. During this season the weather remains chilly, freezing, frosty, with bitter coldness. On the other hand, March, April, and May belong to the spring season, which is regarded as the most pleasant season of Nepal. During this season, different kinds of plants are found to be blooming and sprouting, providing great enjoyment to the nature lovers. On the other hand, June, July and August represent the hot and wet summer season. During this season, people feel a slight difficulty in traveling. The remaining months September, October, and November belong to the autumn season, and during this season the climate remain very favorable and pleasant. As the climate of Nepal is always suitable, one can travel to Nepal throughout the year. However, in terms of monthly visitor's arrivals, there is a marked pattern of seasons. Generally, for non-Indian visitors, such as, North American, Chinese, Japanese, Malaysian and Korean, October represents the peak month for their arrival followed by November, March, April, and December, whereas June is reported to be the month having the lowest number of arrivals. In short, autumn represents the busiest and best season for visiting Nepal.

Table 5. 4 Tourist Arrival by Month (Excluding Indians) 1990- 2007

Year	Jan.	Feb.	Mar.	Apr.	May.	June.	July.	Aug.	Sept.	Oct.	Nov.	Dec.	Total
1990	15937 8.0%	19401 9.7%	24757 12.6%	15654 8.0%	8411 4. 2%	5037 2. 5%	8509 4. 3%	15386 7.8%	14933 9.1%	29239 14.7%	21429 10.8%	16428 8.3%	195121 100%
1992	12560 5. 5%	20331 9.7%	24792 11.0%	20295 9.0%	11380 5.0%	7264 3.1%	12708 6.0%	20198 8.8%	18442 8.0%	33834 15.0%	25862 11. 3%	20113 8.6%	227779 100%
1994	14795 6.6%	19794 8. 8%	24856 11.0%	19778 8.8%	12244 5.4%	8561 3.8%	13352 5. 9%	20524 9.1%	21289 10.0%	30063 13.4%	20556 9.1%	18179 8.1%	223991
1996	17678 6. 5%	23629 8.7%	31738 12.0%	25458 9. 3%	14042 5.1%	9777 3.6%	13724 5.0%	21833 8.0%	23201 8. 5%	38139 14.0%	29221 11.0%	22661 8. 3%	271101 100%
1998	20124 6. 2%	27855 8.6%	33079 10. 3%	28997 9.9%	15647 4.8%	11195 3.4%	15724 5. 0%	26387 8. 2%	29241 9.1%	49787 16.0%	38587 12.0%	23814 7.4%	320455 100%
2000	21092 5.7%	33939 9. 3%	38959 5%	36430 10.0%	18658 5.0%	12036 3. 2%	16842 4. 5%	27205 7. 3%	34643 9.4%	51100 14.0%	45318 12. 3%	31509 8. 5%	367731 100%
2002	13180 6. 3%	16960 8. 2%	25102 12.0%	16877 8.0%	11751 6.0%	8338 4.0%	9962 4.7%	15515 7.4%	18768 9.0%	30251 14.4%	24044 11. 5%	17943 8. 5%	208691 100%
2004	22947 7.7%	28743 9.7%	35468 12.0%	26279 9.0%	15581 5. 3%	9776 3. 3%	17070 5.7%	27657 9. 3%	21829 7. 5%	38104 13.0%	29330 10.0%	22187 7. 5%	294971 100%
2006	21126 7. 2%	21320 7. 3%	30169 10.4%	18435 6.4%	13517 4.6%	11841 4.1%	15066 5. 2%	24966 8.6%	26327 9.1%	43026 14.8%	37402 13.0%	27009 9. 3%	290204 100%
2007	25857 6.0%	33133 7.7%	48022 11.1%	32794 7.6%	23296 5.4%	18937 4.4%	26160 6.1%	37658 8.7%	38813 9.0%	65745 15.3%	46822 10.9%	33458 7.8%	430695 100.0%

Source: Nepal Tourism Statistics Annual Statistical Report 2006 & 2007, – MoCTCA- Government of Nepal.

The above table **5.4** shows that the tourist arrivals (excluding Indian) in Nepal seemed to be generally concentrated over the months of October, followed by March, November December and February. It was also noticed that all seasons were favorable for the tourists. However, in 2007, the month of October was recorded to be the highest number of tourist arrival which constituted 15.3 per cent followed by March (11.1%), November (10.9%) and September (9.0%), while the lowest number was observed in June which constituted 4.4 percent during the corresponding years.

Please refer to Annex –C

5. 2. 3 Indian Tourist Arrivals by Months

In terms of nationality, Nepal is receiving a large number of tourists from India. The cultural and religious similarities between India and Nepal have brought a big inflow of Indian tourists in Nepal. Besides this, the open border of Nepal is also another reason which has made it easier for Indian visitors to enter Nepal. The data shows that since the beginning of tourism history, the highest percentage of tourist arrivals in the country was recorded from India. An Indian visitor to Nepal was perceived to be quite important in terms of volume, as well as spending pattern of their short trips. The trend showed that Indian visitors arrived in Nepal especially during the summer, which was basically a lean season for other markets.

Table **5.5** represents the Indian tourist arrival in the main seasons. The best seasons for Indian tourists are by June, July, May, April and August. The figure shows that in 1992 about 16.6 per cent of the total tourist was found to have arrived in Nepal in the month of May, followed by June (14.3%), April (9.7%), and October (8.3%), while the lowest arrival was recorded to be in the

month of January by 4.6 per cent during the same year. This trend has been continuing till now. The study suggests that as Indian visitors come in large numbers, we have to segment our market on the basis of their characteristics and with the application of appropriate marketing activities should convenience them that all seasons are suitable for visiting Nepal.

Please refer to Annex-D

Table 5. 5 Indian Tourist Arrivals by Months (1990- 2007)

Year	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Total
1990	3710 6.2%	4427 7.4%	3725 6.3%	2447 4.1%	5173 8.6%	6582 11.0%	5294 8.8%	4793 8.0%	6891 11.5%	5736 9.6%	4748 8.0%	6238 10.5%	59764 100%
1992	4891 4.6%	7158 6.7%	6713 6.3%	10387 9.7%	17709 16.6%	15205 14.3%	8234 7.7%	7140 6.7%	6397 6.0%	8813 8.3%	6479 6.1%	7448 7.0%	106574 100%
1994	6940 6.8%	5078 5.0%	6730 6.6%	7514 7.3%	13988 13.6%	14346 14.0%	6387 6.2%	7086 6.9%	6670 6.5%	9330 9.1%	7452 7.3%	11019 10.7%	102540 100%
1996	10208 8.3%	6047 5.0%	7598 6.2%	10873 9.0%	15686 12.8%	16972 13.8%	8960 7.3%	7247 6.0%	8980 7.3%	9175 7.5%	8429 6.8%	12337 10.0%	122512 100%
1998	8698 6.0%	10101 7.1%	8241 5.7%	12090 8.5%	20167 14.1%	17986 12.5%	12171 8.5%	9787 6.8%	10423 7.4%	12700 8.8%	8816 6.2%	12049 8.4%	143229 100%
2000	4215 4.4%	5020 5.2%	5985 6.2%	7205 7.5%	9705 10.1%	14897 15.5%	7638 8.0%	7465 7.8%	8880 9.3%	8095 8.4%	7675 8.1%	9135 9.5%	95915 100%
2002	3996 6.0%	3708 5.5%	3713 5.6%	4376 6.6%	8136 12.3%	8880 13.3%	6659 10.0%	5578 8.3%	4984 7.4%	5021 7.5%	4679 7.0%	7047 10.5%	66777 100%
2003	5556 6.5%	5028 5.8%	5477 6.3%	5548 6.4%	7416 8.6%	12516 14.5%	9054 10.4%	8419 9.7%	6147 7.2%	7419 8.6%	6648 7.7%	7135 8.3%	86363 100%
2004	8041 9.0%	6888 7.6%	8822 9.8%	7235 8.0%	11221 12.4%	10017 11.1%	7790 8.6%	5505 6.0%	3667 4.1%	5269 5.8%	7051 7.8%	8820 9.8%	90326 100%
2005	5946 6.2%	3277 3.4%	4028 4.2%	5103 5.3%	10103 10.5%	11438 11.8%	9075 9.4%	10791 11.2%	8653 9.0%	10945 11.3%	6727 7.0%	10348 10.7%	96434 100%
2006	7643 8.2%	4408 4.7%	6704 7.1%	3548 3.7%	9353 10.0%	14369 15.4%	10117 10.8%	8184 8.7%	7035 7.6%	6644 7.0%	6717 7.2%	9000 9.6%	93722 100%
2007	7335 7.6%	6801 7.1%	6700 7.0%	8148 8.5%	12558 13.1%	12379 12.9%	9277 9.7%	7025 7.3%	6759 7.0%	4899 5.1%	5451 5.7%	8698 9.1%	96010 100.0%

Source: Nepal Tourism Statistics, 2006 and 2007, Government of Nepal, Ministry of Culture, Tourism, and Civil Aviation.

5.3 Demographic Segmentation

Demographic segmentation is the process of segmenting the consumer on the basis of their age, gender, marital and family status. In tourism business also, the demand or preference of different age groups of tourist are varied. The children prefer to visit the zoo, museums, amusement parks and sports, while the youngsters like to experience new and adventurous places. In case of gender, the female visitors like to go for shopping, short trek and visit temples and historical places, whereas the male visitors are more fascinated in the study of culture, art and history, taking a long trek and mountaineering trips and have fun in the casinos. So, the tourism market is segmented on the basis of their demographic characteristics.

5.3.1 Gender-wise Visitor's Trend

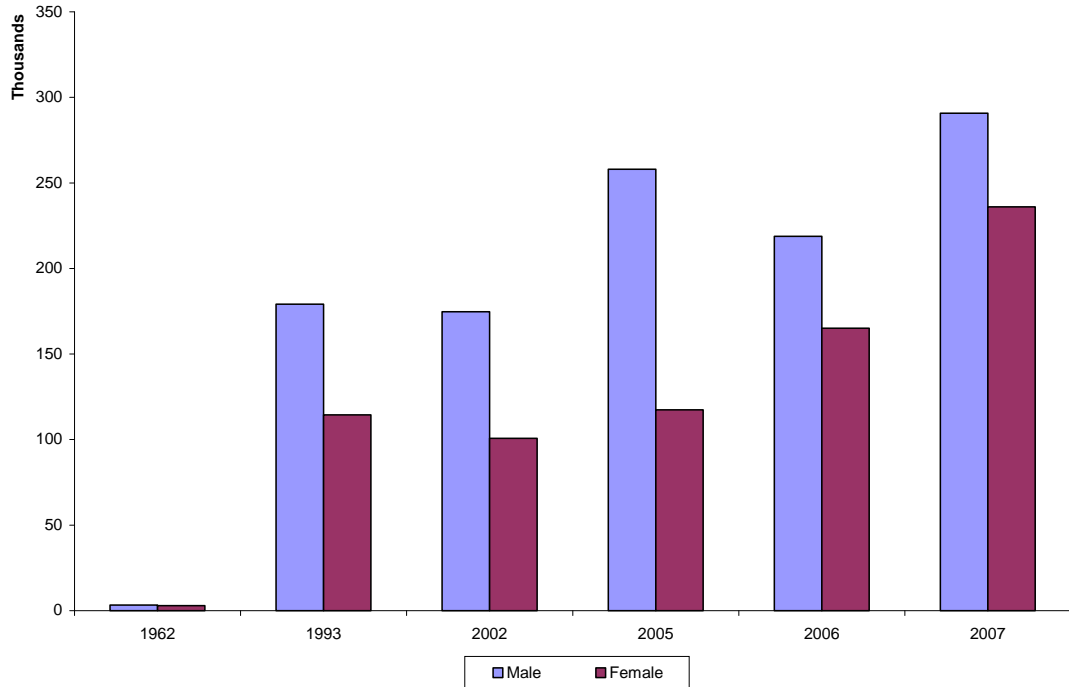
Tourism market can be segmented on the basis of gender. There maybe some differences between male and female visitors regarding the demand for tourism products, services, purpose of visit and choice of destinations.

Table 5.6 Tourist Arrivals in Nepal by Gender (1962 – 2007)

Year	Male	% change	Female	% change	Total
1962	3231 52.3%	-	2948 47.7%	-	6179 100.0%
1970	26157 56.9%	400.5	19813 43.1%	376.04	45970 100.0%
1975	55741 60.3%	113.10	36699 39.7%	85.2	92440 100.0%
1980	100006 61.4%	79.4	62891 38.6%	71.36	162897 100.0%
1985	113563 68.2%	13.6	67426 37.2%	7.2	180989 100.00%
1990	155311 60.9%	6.3	99574 39.1%	58.3	254885 100.0%
1995	224769 61.9%	25.4	138626 38.1%	21.2	363395 100.0%
2000	266937 57.6%	-6.7	196709 42.4%	-4.2	463646 100.0%
2001	213465 59.1%	-20.0	147772 49.9%	-24.9	361237 100.0%
2002	174710 63.4%	-18.1	100758 36.6%	-31.8	275468 100.0%
2003	204732 60.5%	17.1	133400 39.5%	32.4	338132 100.0%
2004	255303 66.3%	24.7	129994 33.7%	-2.6	385297 100.0%
2005	257972 68.7%	1.0	117426 31.3%	-9.7	375398 100.0%
2006	218818 57.0%	-15.17	165108 43.0%	40.6	383926 100.0%
2007	290688 55.2%	32.8	236017 44.8%	42.9	526705 100.0%

Source: Nepal Tourism Statistics 2006 and 2007, Government of Nepal (MoCTCA)

Figure 5.2 Tourist Arrivals by Gender (1962 – 2007)



Regarding the gender-wise visitors' arrival to Nepal, the number of male visitors is always higher than the female visitors as exhibited in the table 5.6. The proportion of male visitors in 1975 accounted to around 60.3%, while, the number of female visitors reached 39.7 per cent during the corresponding year.

It was noted that the total percentage of the female visitors were found to have decreased gradually from 36.6% in 2002 to 31.3% in 2005 whereas, the number of male visitors increased from 63.4% to 68.7% during the corresponding years. However, there was some marked improvement in the arrival of female visitors with 43.0 per cent in 2006 and 44.8 per cent in 2007, while the number of male visitors reached 57.0 % and 55.2 % in the respective corresponding years. Therefore, it is said that the composition of male visitors

have always been higher than the female visitors. Hence, a new marketing strategy should be followed to attract the female visitors.

Please refer to Annex-E

5. 3.2 Age -wise distribution of Tourist Arrivals

Age factor has a greater influence on the choice of tourism products as well as purpose of visit. The preference of children may differ from the youngsters.

Table 5.7 Tourist Arrivals in Nepal by Age Group (1962 – 2007)

Year	0 - 15	16 - 30	31 - 45	46 – 60	61 & Over	Not Specified	Total
1962	-	-	-	-	-	-	6179
1970	1613 3.5%	16302 35.5%	11240 24.5%	9559 20.8%	7256 15.8%	-	45970
1974	2605 2.9%	36025 40.1%	24885 27.7%	16800 18.7%	9523 10.6%	-	36508
1978	5933 3.8%	56985 36.5%	44807 28.7%	30756 19.7%	17642 11.3%	-	156123
1982	8656 4.9%	61438 35.0%	55638 31.7%	33951 19.4%	15765 9.0%	-	175448
1986	12243 5.5%	73656 33.0%	71694 32.1%	42707 19.1%	23031 10.3%	-	223331
1990	10620 4.2%	85903 33.7%	82292 32.3%	49388 19.4%	26682 10.5%	-	254885
1994	20097 6.2%	96016 29.4%	106260 32.5%	66174 20.3%	37894 11.6%	-	326531
1998	26763 5.8%	122103 26.3%	151846 32.7%	121190 26.1%	41782 9.0%	-	463684
2002	12425 4.5%	67774 24.6%	99622 36.2%	67017 24.3%	28630 10.4%	-	275468
2003	16056 4.7%	78357 23.2%	99740 29.5%	85753 25.4%	58226 17.2%	-	338132
2004	38734 10.1%	84125 21.8%	128267 33.3%	96920 25.2%	37251 9.7%	-	385297
2005	30429 8.1%	57115 15.2%	114103 30.4%	106077 28.3%	67674 18.0%	-	375398
2006	37433 9.8%	75626 19.7%	123541 32.2%	95260 24.8%	52066 13.6%	-	383926
2007	38870 7.4%	112879 21.4%	164488 31.2%	130756 24.8%	69927 13.3%	9785 1.9%	526705

Source: Nepal Tourism Statistics 2006, 2007 Government of Nepal (MoCTCA)

Figure 5. 3 Tourist Arrivals by Age Group (1970 – 1991)

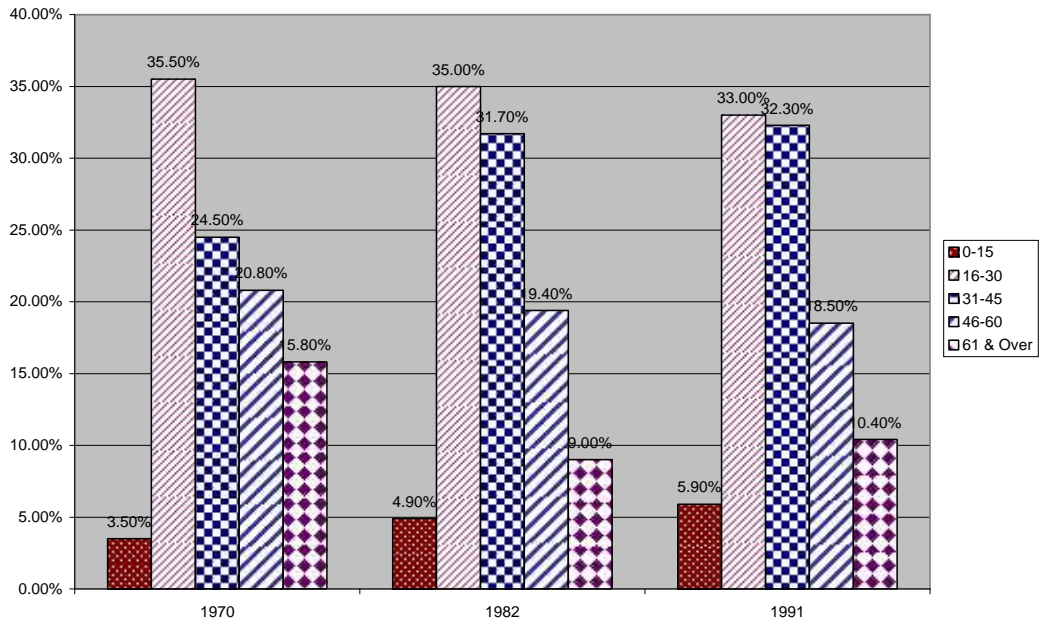


Figure 5.4 Tourist Arrivals by Age Group (1992 – 1999)

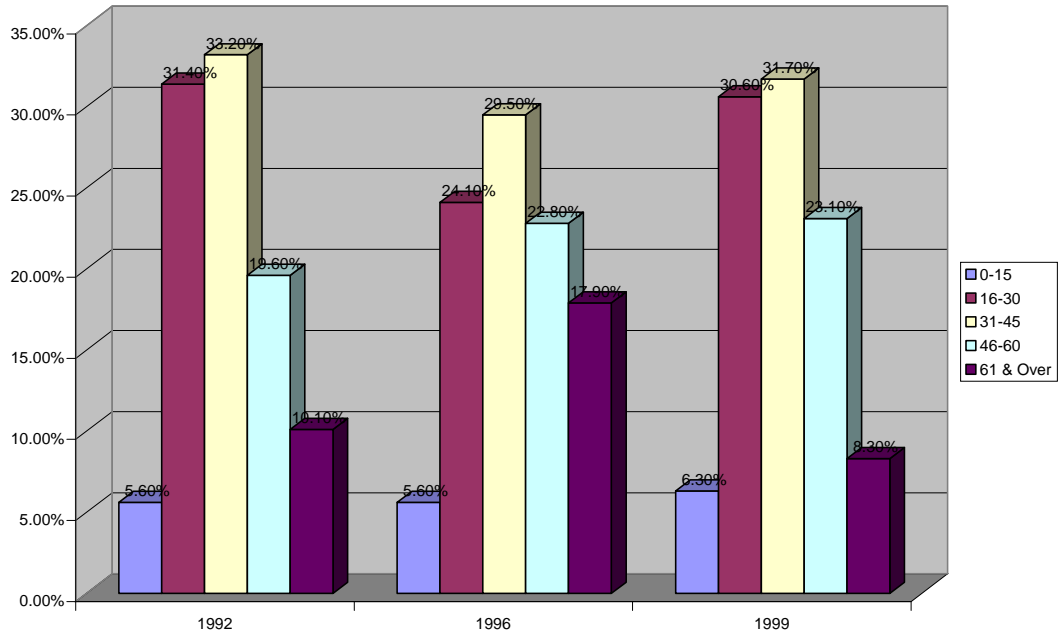
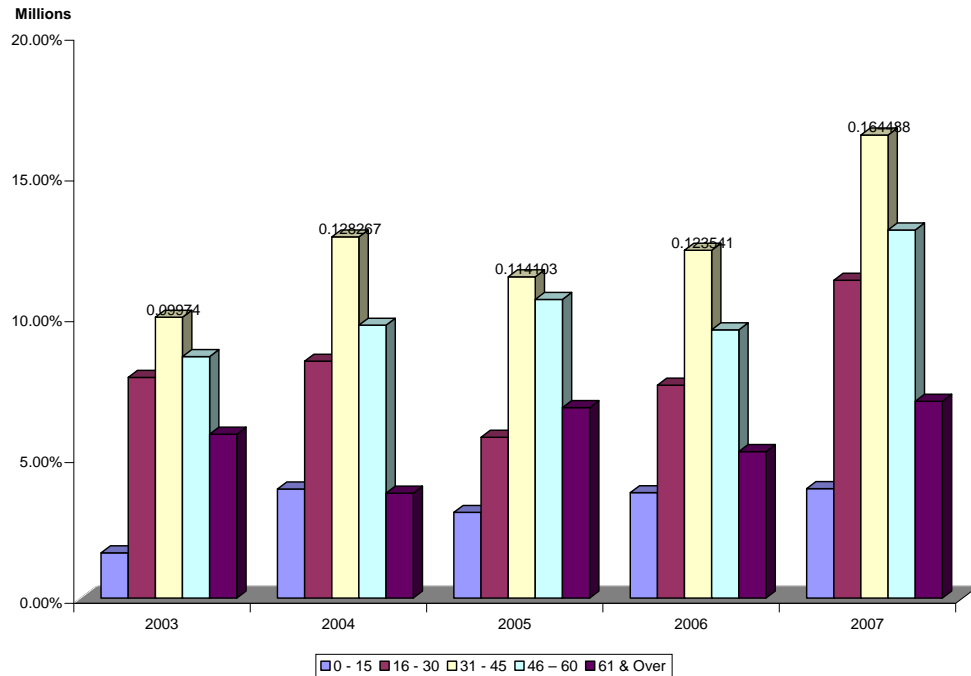


Figure 5. 5 Tourist Arrivals by Age Group (2003 - 2007)



The table 5.7 represents the age wise distribution of tourist arrival in Nepal. According to this table, the age group of between (16-30years) was reported to be the highest (35.5 %) in 1970, followed by the age group of 31-45 (24.5%), 46-60 (20.8%), 61 and over (15.8%), and 0-5 (3.5%). This trend of younger age group was found to have continued till 1991. From the table above it can be inferred that Nepal was a destination for the young.

However, since 1992 to 2002, the age group of between 31 to 45 years secured the first position. If we add the age group of between 16-30 years and 31-45 years, more than 60 per cent of market was found to have covered by these age groups. Which proved that Nepal as a destination for adults.

Similarly, from 2003 to 2007, the major proportion of the tourism market was dominated by the age group of between 31-45 years and 46-60 years,

representing 57.0 % in 2006 and 56.0 % in 2007. This indicates that Nepal represents the destination for adult and older age group.

The table 5.7 also reveals that since 2003 to 2007 the age group of between 31-45 years was recorded to be the highest in number followed by the age group of (46-60), (16-30), (61 and over) and (0-15). This shows that children and elderly were less interested in Nepal. Hence, it is suggested that efforts should be made for the increment of child visitors by adding more fun and recreational facilities. Nepal has to invest more money in family-friendly products such as picnic spots, playgrounds, children's museums and other means of entertainment for the children. Similarly, for the increment of elderly visitors the provision of rest houses, natural therapy and deluxe van should be provided.

Please refer to Annex-F

5.4 Product Usage Segmentation

According to Bhatia (1997:154) the product based market segmentation includes the purpose of travel, average length of stay, types of accommodation, mode of travel, and arrangement for travel etc.

Generally, all the international visitors to Nepal are grouped under the category of tourists. However, these visitors cum tourists visit the country for various purposes ranging from pilgrimages to purely official purposes.

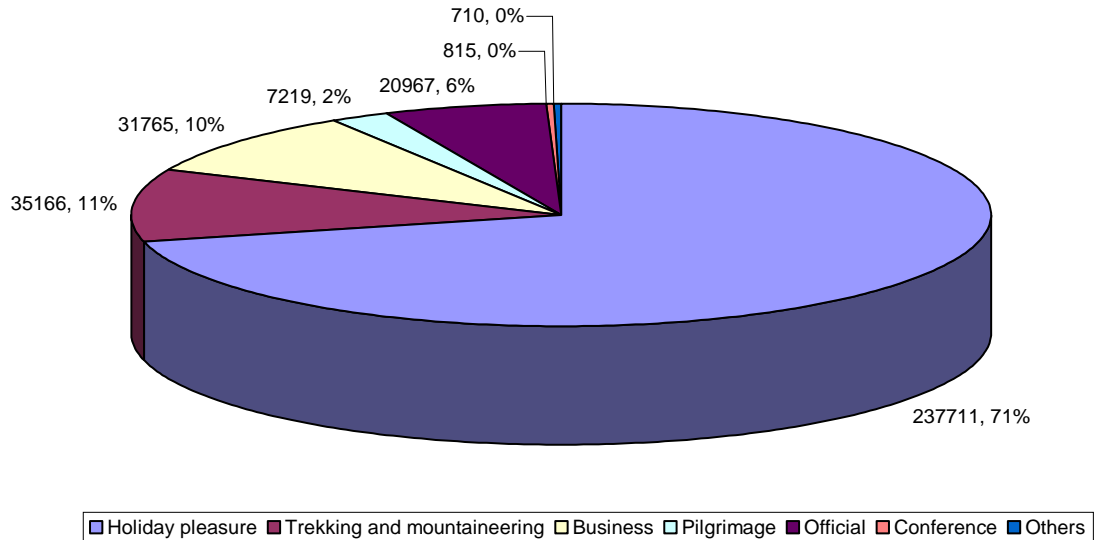
Table 5. 8 Purpose-wise Distribution of Tourist in Nepal (1962-2007)

Year*	Holiday pleasure	Trekking and mountaineering	Business	Pilgrimage	Official	Conference	Rafting	Others	Not Specified	Total
1962	-	-		-		-	-	-	-	6179 (100%)
1970	41881 (91.1%)	556 (1.2%)	918 (2.0%)	-	1528 (3.3%)	-	-	1087 (2.4%)	-	45970 (100%)
1978	124465 (79.7%)	17304 (11.1%)	6642 (4.3%)	-	5660 (3.6%)	-	-	2052 (1.3%)	-	156123 (100%)
1986	163954 (73.4%)	33609 (15.0%)	10863 (4.9%)	-	8825 (4.0%)	-	-	6076 (2.7%)	-	223331 (100%)
1994	168155 (51.5%)	76865 (23.5%)	23522 (7.2%)	5475 (1.7%)	20431 (6.3%)	5361 (1.6%)	-	26722 (8.2%)	-	326531 (100%)
2002	110143 (40.0%)	59279 (21.5%)	16990 (6.2%)	12366 (4.5%)	17783 (6.5%)	0 (0.0)	-	58907 (17.9%)	-	275468 (100%)
2003	97904 (29.0%)	65721 (19.4%)	19387 (5.7%)	21395 (6.3%)	21967 (6.5%)	0 (0.0)	-	11758 (33.1%)	-	338132 (100%)
2004	167262 (43.4%)	69442 (18.0%)	13948 (3.6%)	45664 (11.9%)	17088 (4.4%)	0 (0.0)	-	71893 (18.7%)	-	385297 (100%)
2005	160259 (42.7%)	61488 (16.4%)	21992 (5.9%)	47621 (12.7%)	16859 (4.5%)	0 (0.0)	-	67179 (17.9%)	-	375398 (100%)
2006	145802 (27.7%)	66931 (12.7%)	21066 (4.0%)	59298 (11.3%)	18063 (3.4%)	0 (0.0)	-	72766 (19.0%)	-	383926 (100%)
2007	215815 (41.4%)	101320 (19.2%)	24487 (4.6%)	52594 (10.0%)	21670 (4.1%)	8019 (1.5%)	65 (0.0%)	78579 (14.9%)	22156 (4.2%)	526705 (100.0%)

Source: Nepal Tourism Statistics, 2007, Government of Nepal, MoCTCA

* The figure incorporates the period of Gregorian year (Jan-Dec)

Figure 5. 6 Tourist Arrivals by Purpose of Visit (1992)



Source: Nepal Tourism Statistics, 2005, Government of Nepal

The table 5.8 exhibits that the pleasure trips constituted the dominant part of the tourist arrival in Nepal followed by trekking and mountaineering. The two together accounted to around 90 per cent of the total tourist arrival before the nineties.

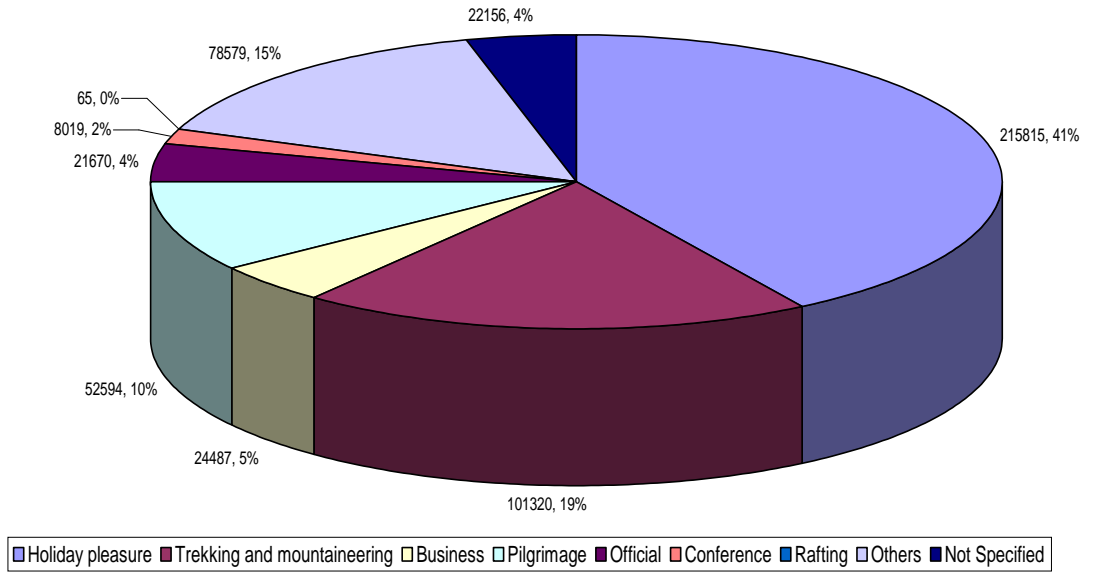
However, the main purpose of tourists for visiting Nepal has also changed over the years. Holiday and pleasure continued to be the main purpose of visit, although its share was found to have declined gradually from 60.5% to 41.4% in 2007. On the other hand, the share of trekking/mountaineering was reported to have substantially increased from 14.4% in 1991 to 19.2% in 2007 with some fluctuation over the years. It was also observed that the total tourist arrival for business remained steady for some years and again it declined to 4.6% in 2007. Pilgrimage was another growing activity. Since 2000 to 2007

the number of tourists traveling for pilgrimage was reported to have increased from 3.4 % in 2000 to 10.0% in 2007.

This shows that in spite of the constant efforts from the related sectors for several years in the past, the Nepalese tourism industry has not been able to reposition itself in the international market.

Please refer to Annex-G

Figure 5.7 Tourist Arrivals by Purpose of Visit (2007)



Trend of Tourists Arrival by Air and Land Route

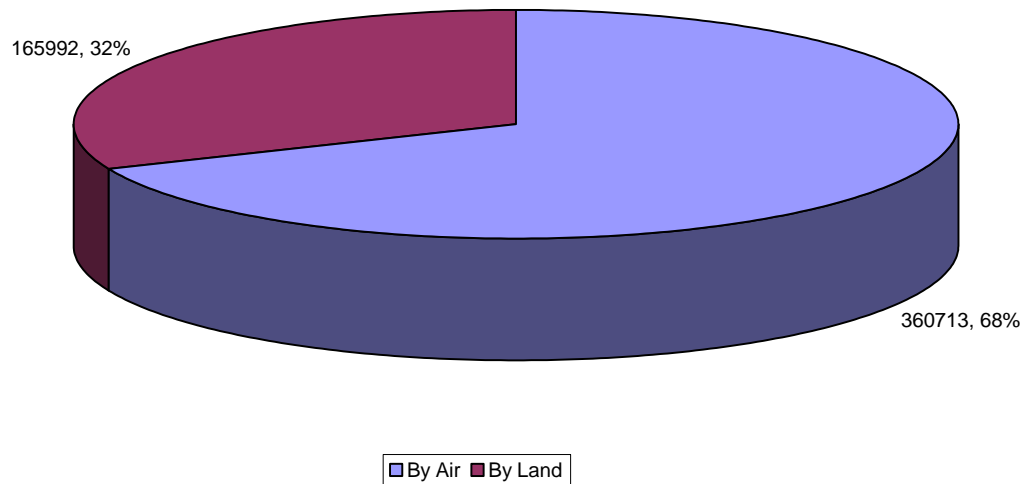
Transportation is one of the important factors for the development of tourism. The higher the facility of transportation, the higher will be the number of tourist arrival in Nepal. Nepal, being a landlocked country, has no water route, particularly the sea route for passenger traffic or even the goods traffic. The physical feature of Nepal is such that barring India; she has almost insignificant land connectivity for the purpose of transport. For international tourists the only option is by air route to land in Nepal. Alternatively, they may plan to visit India, from where they can take the land route to Nepal. The major entry points for Nepal from India are Kakarbhita, Birjung, Belhiya (Bhairahawa), Nepalgunj, Dhangadhi, Jogbani (Biratnagar) and Mahendranagar in the Nepal- India border.

Table 5. 9 Trend of Tourists Arrival by Means of Transport (1962-2007)

Year	Total Number	By Air Number	% of Air	By Land Number	% of Land
1962	6179	-----	-----	-----	-----
1974	89838	74170	83	15668	17
1978	156123	130034	83	26089	17
1982	175448	153509	87	21939	13
1986	223331	182745	82	40586	18
1990	254885	226421	89	28464	11
1994	326531	389381	89	37150	11
1998	463684	398008	86	65676	14
1999	491504	421243	86	70261	14
2000	463646	376914	81	86732	19
2001	361237	299514	83	61,723	17
2002	275468	218660	79	56808	21
2003	338132	275438	81	62694	19
2004	385297	297335	77	87962	23
2005	375398	277346	74	98052	26
2006	383962	283819	74	100107	26
2007	526705	360713	68	165992	32

Source: Nepal Tourism Statistics, 2006, and 2007 MoCTCA

Figure 5. 8 Tourist Arrivals by Air and Land (2007)



It is clear from the table **5.9** that there was a greater inflow of tourist in Nepal by air. Since 1966 to 2001, the tourist traveling by air was recorded to be more than 80%. However, since 2004 the trend of air traffic decreased from 77.0% to 68.0% in 2007. On the other hand, the number of tourists traveling by land was increased from 23.0 % to 32.0% during the corresponding years. This shows that though air transport is the most preferred means of transport however, land transport also has a greater value in the tourism development.

Please refer to Annex-H

Table 5.10 Actual Length of Stay by Major Nationality (1995 – 2007)

Nationality	1995	2000	2001	2002	2003	2004	2005	2006	2007
Australia	17.6	17.5	17.2	12.4	9.7	13.5	8.8	10.2	10.0
Austria	11.5	13.4	13.5	7.9	9.7	14.1	9.5	9.8	13.6
Canada	15.3	17.0	16.5	10.9	10.7	12.6	10.0	11.7	16.2
Denmark	18.1	19.1	16.7	12.8	9.6	12.8	9.4	11.8	16.1
France	11.0	12.6	12.9	8.9	10.6	11.7	10.8	11.9	15.9
Germany	13.4	15.6	16.2	9.8	9.6	14.1	10.4	11.7	15.4
India	6.7	7.2	7.2	6.3	9.9	11.4	6.4	6.8	6.4
Italy	8.7	10.5	10.6	6.0	11.0	12.7	8.4	8.6	10.7
Japan	10.6	10.0	10.3	8.1	9.2	13.8	8.2	8.6	8.2
Netherlands	14.0	14.9	16.5	11.4	10.7	13.8	10.4	10.9	15.8
Switzerland	13.7	16.1	16.5	10.4	9.0	16.0	11.1	8.7	15.3
Spain	7.6	9.6	9.8	5.4	9.5	15.3	8.0	8.7	9.2
Sri Lanka	-	-	8.0	6.7	6.9	21.8	15.0	11.8	3.8
U.S.A.	13.0	14.2	12.9	10.0	9.4	13.6	9.1	11.1	14.3
U.K.	16.0	16.3	15.5	10.7	10.1	11.2	10.0	10.9	16.2
Other	11.0	11.9	11.3	7.7	8.8	15.8	10.9	12.5	14.0
Average	11.8	11.9	11.9	7.9	9.6	13.5	9.1	10.2	11.9

Source: Tourism Statistics of Various Years, MoCTCA, (2003, 2006 and 2007)

The table 5.10 presents the actual length of stay of major nationalities. The average length of stay also has an immense effect upon the nation's economy and is usually designated by the alluring capacity of the nation's tourism business entrepreneurs to increase the visitors' desire to stay a few more days in Nepal. During the year 1995, the actual length of stay by a major nationality was recorded to be the highest from Denmark, which represented 18.1 days

followed by Australia (17.6 days), UK (16.0 days), Canada (15.3 days), Netherlands (14.05) days and USA (13.0 days). Soon after 2001 there was a significant fall in the average length of stay of foreign visitors and it reached 9.6 days in 2003. Due to the mass publicity and sales promotion extended by Nepal Tourism Board, there was a significant increment of the average length of stay by 13.5 days in 2004. However, the average length of stay had further declined in 2005 by 9.1 days. But owing to the peace process agreement between the government and Maoists in 2006, led to the increase in the average length of stay from 10.2 days to 11.9 days in 2007.

The table 5.10 also indicates that during the year 2007, the highest actual length of stay was represented by UK (16.2 days), Canada (16.2 days) and Denmark (16.1days) followed by France (15.9 days), Netherlands (15.8 days), Germany (15.4 days), and USA (14.3 days). This shows a hopeful sign of improvement in the actual length of the stay in the years to come. It is also understood that during the year 2007 the actual length of the stay of visitors from Sri Lanka, India and Japan have shown less interest in Nepal compared to the previous years. So, the concerned bodies have to explore the main reasons for their shorter length of stay in Nepal and make an effort to improve the situation as far as possible.

5. 5 Economic Segmentation of Tourism Market of Nepal

Under the economic segmentation of tourism market, the researcher has tried to find out the economic activities of tourists, while they were staying in Nepal. The researcher has tried to find out their economic activities on the basis of their spending pattern on different things.

Table 5. 11 Average per Capita / Day Expenditure of Tourists 1987/88

Items of Expenditure	Average per Capita/ day expenditure Rs.	Percentage (%)
Accommodation	199	26.6
Foods	156	20.9
Beverages	41	5.5
Sight Seeing	56	7.5
Trekking	34	4.6
Local Transports	30	4.0
Handicrafts**	51	6.8
Carpets	20	2.7
Garments	30	4.0
Books	9	1.2
Telephone and Telex	6	0.3
Taxes and Fees	38	5.1
Miscellaneous***	77	10.3
Average per capita/ day expenditure	747	100.00

* *Excluding International Airfare*

** *Include Curio and Jewelleries.*

*** *Include Textiles, Cosmetics, Electronic Goods*

Umbrella, Tips, Laundry expenses and others

Source: Income and Employment Generation from Tourism in Nepal, Nepal Rastra Bank, Kathmandu, 1989.

Regarding the tourist expenditure for the year 1987/88, the Nepal Rastra Bank had estimated that accommodation was the single largest items of expenditure (26.6 per cent) followed by foods (20.9%), sight seeing (7.5%) etc. The table **5.11** indicates that out of the thirteen items of expenditure, only four items were in the category of the non-service sector, which were handicrafts, carpets, garments, and books. They, together, accounted for 14.7 per cent of the total tourists' expenditures, while the remaining 85.3 per cent expenditure was within the service sector. These were the direct impacts of tourist expenditure that could be estimated. However, indirect effects might be more effective in terms of sectoral inducement effects and employment generation

Table 5. 12 Distribution Patterns of Average Per Capita/ Day Expenditure of Tourists by Category of Accommodation (1989)

Category of Accommodation	Accommodation	Food and Beverage	Sight Seeing and Trekking	Shopping for Handicrafts	Carpets	Garments	Others	Local Transportation	Taxes and Fees	Miscellaneous ***
Five Star	35.4	22.2	12.5	5.8	2.5	2.4	0.2	2.0	3.8	13.2
Four Star	35.7	24.8	13.3	6.0	2.4	2.6	0.1	3.4	4.2	7.5
Three Star	33.5	23.4	11.6	6.4	2.3	5.2	0.1	4.0	4.9	8.6
Two Star	21.4	30.2	12.6	9.2	4.0	4.0	0.5	4.1	5.0	9.0
One Star	19.9	30.9	16.2	6.8	2.4	3.0	0.2	5.6	6.2	8.8
Non Star	16.1	28.7	10.3	7.2	3.2	7.2	1.2	6.1	7.0	13.0
Lodge Guest Houses	15.3	33.1	10.7	8.3	2.2	5.1	0.7	5.9	6.8	11.9
Paying Guest House	9.9	25.3	5.3	9.9	4.6	10.5	1.5	7.7	5.2	20.1

* Exclude International Airfares

** Include Jewelries & Curios

*** Include Expenses on Telephone, Tips, Laundry, Books, and Freight & Insurance etc.

Source: Income and Employment Generation from Tourism in Nepal, Nepal Rastra Bank, Kathmandu 1989.

The table **5.12** shows the break up of tourists' expenditure by the category of accommodation. The table also represents that up to three star accommodations, more than one third of the total tourists' expenditure was made on accommodation as per the survey of Nepal Rastra Bank (1989) for the year 1987/88. However, as the category of accommodation declined, the share of expenditure on accommodation has also declined. It came down to 16.1 per cent for non-star hotels, and almost up to 10 per cent for the paying guest house. However, with regard to the expenditure on food and beverages, the guests staying at a lower category of accommodation generally had some higher share of expenditure in comparison to the guest staying at the higher category accommodation.

Besides, tourists staying at lower category accommodation in Nepal had greater propensity towards shopping for handicrafts, carpets, garments and others. However, on the whole, it is obtained from the table that tourists staying in a lower category accommodation generally had greater inducement effect on the economic activities of Nepal like shopping, food and beverages, local transportation and contribution to the public exchequer in terms of taxes and fees. Thus, "the budget tourists" have greater inducement effects than the "deluxe tourists".

Table 5. 13 Distribution Pattern of Average Per Capita/ Day Tourist Expenditure by Selected Occupations (US\$) (1998)

Categories of Occupation	FMID	ACS	TFE	CHS1	TRANS2	RAF/ TREK	T/ FEES	MISC3	TE	Respondents	AE/ person/ day	ALS	Per Visit Exp
Business	21.7	36.6	2.6	18.6	12.3	0.5	5.8	1.4	3997.0	77	51.9	7.	400.0
Service	19.0	37.0	1.6	20.0	11.6	1.2	7.4	2.2	6413.0	101	63.5	9.6	610.0
Engineer	22.6	43.0	1.5	8.7	11.5	2.5	6.1	4.0	1594.0	34	46.9	12.5	591.0
Medical Practitioner	19.0	37.4	1.5	14.0	14.8	1.7	8.3	3.1	1421.0	30	47.4	14.6	691.0
Consultant	15.7	39.3	0.8	19.3	12.0	2.5	6.1	4.2	2514.0	34	73.9	13.8	1020.0
Teacher	24.2	30.2	1.3	17.0	11.5	3.6	8.6	3.5	2759.0	64	43.1	17.0	733.0
Student	29.5	23.7	1.3	14.0	10.8	3.7	12.2	4.7	1332.0	62	21.5	23.2	500.0
Diplomats	20.0	42.6	3.1	13.1	11.4	2.8	5.0	2.0	649.0	10	64.9	15.3	991.0
Technicians	22.1	31.6	1.7	11.7	15.6	6.0	8.0	3.0	1562.0	36	43.4	18.1	785.0
Workers	23.4	37.6	1.2	10.0	16.0	3.1	7.0	1.6	943.0	17	55.5	15.5	859.0
Socialworker	22.0	34.1	1.3	9.0	18.9	3.4	7.8	3.5	706.0	19	37.2	17.9	666.0
Lawyer	15.9	33.2	1.9	29.0	12.5	-	6.6	0.7	668.0	10	66.8	5.9	394.0
Retire/ housewives	21.0	39.5	0.5	11.7	15.4	1.4	7.3	3.2	1530.0	29	52.8	11.0	580.0
Others	25.0	27.3	2.6	18.6	10.7	4.9	8.4	2.5	1930.0	51	37.8	18.4	695.0
C.V.	0.32	0.36	0.56	0.63	0.28	0.49	0.18	0.46	28017.0	574	48.8	14.16	691.0

Source: Primary Survey 1998

Regarding the distribution pattern of average per capita day expenditure by selected occupation, the table **5.13** shows that generally the businessman, service holder, engineer, consultant, diplomat, worker, and social worker was found to have incurred the highest amount for accommodation followed by food, meal, and drink, while the teacher and student spent more money on food, meal and drink and less on accommodation. Regarding the expenditure pattern on the handicrafts, curio and souvenir and local transportation the views were divided between them and almost half of them spent their money on curio and half of them spent on local transportation. Likewise, the spending pattern was also divided on (miscellaneous), (telephone, fax and e-mail), and (rafting and trekking).

Similarly, the above table also represents the per visit expenditure of different occupation. According to the survey taken in 1998 (Sharma, 2001) the expenditure incurred by consultant was reported to be highest (US\$1020) followed by diplomat (US\$991.0), worker (US\$859.0), technician (US\$785), teacher (UD\$733.0), others (UD\$695.0), and medical practitioner (US\$691.0), while the lawyer was the least spenders (US\$394.0).

Table 5. 14 Item-wise average per capita per day expenditure by purpose of visit (1998)

Items	Purpose of Visit											Coefficient of Variation
	Pleasure	Trekking	Business	Official	Honeymoon	Religious	Conference	Cultural	Rafting	Others	Total	
FMD	11.5	15.1	12.8	13.7	17.7	12.0	14.7	13.7	28.3	15.0	12.9	0.43
ACS	21.2	14.5	34.5	24.6	30.2	26.3	44.2	38.4	17.3	15.7	22.0	0.84
TRANS	16.8	15.1	18.4	30.9	21.0	23.5	9.3	12.8	8.7	26.3	16.6	0.40
TFE	1.5	1.7	2.7	2.9	1.3	2.0	0.9	1.3	3.5	1.0	1.7	0.49
CHS	14.9	10.4	10.7	8.9	15.0	21.7	21.6	21.9	14.6	14.9	13.1	0.74
T/FEES	6.1	6.7	5.8	5.8	5.0	9.6	4.7	5.5	10.2	6.0	9.3	0.84
RAF/ TREK	18.3	12.5	8.2	12.6	5.7	2.9	3.8	5.5	14.2	17.0	6.2	0.48
MISC	9.7	24.0	6.8	0.6	4.0	2.0	0.8	0.9	3.0	4.1	18.2	1.05
Total%	100	100	100	100	100	100	100	100	100	100	100	-
AE day/per person	52.4	34.5	73.5	51.7	45.3	39.5	109.0	91.4	25.4	38.8	48.8	-
Ex. Per/ Visit	542.34	799.7	418.2	359.8	328.4	260.7	436.0	1040.0	563.9	426.8	691.1	0.27
No/ of Respondents	242 (42.2)	198 (34.5)	46 (8.0)	22 (3.8)	20 (3.5)	10 (1.7)	10 (1.7)	8 (1.4)	10 (1.7)	8 (1.4)	574 (100.0)	-
ALS	10.35	23.18	5.69	6.96	7.25	6.6	4.0	11.3	22.2	11.0	14.16	-
TE per day	12680.8	6831.0	3381.0	1137.4	906.0	395.0	1090.0	731.2	254.0	310.4	28017.0	-

Source: Primary Survey, 1998.

The above table **5.14** shows that tourists coming for pleasure, business, officials, honeymoon, religious, conference, and culture were reported as the highest spenders of money for accommodation, while, the tourists coming for trekking, rafting and others paid less importance for spending money on these items.

Regarding the average expenditure per person, it was noticed that visitors coming for conferences constituted the highest spenders (US\$ 109.0), followed by cultural (US\$ 91.4), business (US\$73.5), pleasure (US\$ 52.4), officials (US\$ 51.7), honeymoon (US\$ 45.3), religious (US\$ 39.5), trekking (US\$ 34.5) and rafting (US\$25.4).

5.6 Conclusion

Since the beginning of tourism history of Nepal, India was a great source of Nepal followed by USA, UK, Germany and France, while during the mid nineties, after India, Germany occupied the second largest market share of Nepal, followed by UK, Japan, USA and France. Following the mid- twenties after India, Sri-Lanka was the second highest market followed by UK, Japan, and USA.

In terms of continents from the beginning of tourism history, North America occupied the major market share of Nepal followed by Western Europe, and Asia. After the mid 1960's to 1973- Western Europe was found to have covered the major market followed by North America and Asia. On the other hand, since 1991 to till now, Asia is in the first position covering the major proportion of the market followed by Western Europe and North America.

The climate of Nepal enjoys long tourism seasons. October is the peak month for the arrival of international visitor followed by November, March, April and December, whereas June is the month of lowest arrivals. For Indian visitors, May, June, and July represents the best month of arrival in Nepal.

In terms of age group distribution of tourist since 2003, the major market was dominated by the age group of between 31-45 years and 46-60 years representing more than 50.0 per cent. Regarding the purpose of visit, holiday and pleasure represented the dominant part of tourist arrival in Nepal followed by trekking and mountaineering, pilgrimage and business. It was also noticed that though the number of tourist arrival by land transport have increased, however, air transport is the most preferred means of transport for international visitors. Regarding the expenditure made by the tourist, the largest item of expenditure was on accommodation followed by food and beverage, sight seeing and shopping.

CHAPTER SIX

Economic Impact of Tourism

6.1 Introduction

This chapter contains the economic impact of tourism, the status of Nepal in world tourism as well as in Asia Pacific, which will help Nepal to formulate marketing and promotional strategies for the development of tourism. The role of tourism in export trade and the engagement of people in the tourism sector have been studied and analyzed. Besides this, regression analysis is conducted in various forms to examine the effect of average length of stay, number of tourist arrivals, number of hotels and number of beds on foreign exchange earning has been computed and analyzed. Similarly, the analysis is continued further to examine the relationship between tourist expenditure and other development indices such as total export trade, total tax revenue, total trade volume, and gross domestic product nominal.

6.2 Status of Tourism in the economy of Nepal

Tourism is known as ‘a smokeless industry or an industry without chimney’. Although it is the main source of foreign exchange earnings, the contribution of this industry should not be evaluated in terms of economic benefit alone. It contributes in a wider perspective and an effort has been made to assess its contributions in varying terms (Shrestha, 2000).

Tourism is one of the fastest growing industries in the world. It has been playing a pivotal role in the economy of most of the developed and developing countries. As mentioned earlier, it not only acts as a source of foreign exchange but also helps in creating employment opportunities thereby generating economic growth of the country. Hence, most of the countries are attracted towards this industry.

Sinclair (1998) has done a detail analysis of the contribution of tourism on the balance of payments. In many developing countries, the international tourism has been and will remain one of the most important sources of foreign exchange both in terms of absolute value as well as growth. The tourism has gained a prime status in earning foreign currency in Kenya, Gambia and Egypt. The foreign currency received from tourism is a valuable input for different stages of industrial development. For example, in Spain, as the country decided to enter from agriculture based economy to industry, they gave rise to tourism and construction sector and the income from these sectors was invested on the expansion of industrial sector. Similarly, the emerging Asian economies also found tourism to be an important source of finance for capital goods imports during the process of industrialization (Sinclair, 1998).

According to Zulfikar (1998:58) international tourism is an invisible export in the sense it creates a flow of foreign currency in the economy of a destination country thereby contributing directly to the current account of the balance of payments. He adds “like other export industries, this inflow of revenue creates a business turnover, household income, employment and government revenue.”

Similar to above authors, the view of Witt (1991) also supports the fact that tourism provides a major source of foreign exchange (particularly important for countries with non-convertible currencies) thereby contributing a country's balance of payments. Its status as (invisible) export is suited to an era in which trade is seen to be increasingly important, and certain developing countries—notably those in East Asia—have become industrialized and modernized mainly through this export led growth (Witt, 1991).

The most obvious potential benefit that tourism can bring to destined communities is the economic growth. The major benefit for the developers, who are successful in attracting tourists and providing facilities, is the profit itself. For the government and citizens, the benefit includes an increased tax base, access to markets for locally produced goods, infusion of foreign exchange, investment and expertise, ability to finance infrastructure, improvements and pollution control measures which otherwise might not be able to afford. These all benefits ultimately will result in the improvement of the living standard (Bosselmen, Peterson, and McCarthy, 1999).

Davidson (1989:147) has expressed that generally, a country can earn foreign exchange through two kinds of exports - visible and invisible. Visible exports are physical goods which can be seen touched and weighed as they pass through the ports of one country to another. Whereas, invisible exports are not physical goods, but services provided by one country to another. Tourism is also regarded as an invisible export because it has a potential to bring in foreign exchange to a country by providing services to overseas visitors. These services are provided in the hotels and restaurants and other enterprises (Davidson, 1989:147).

The benefit of tourism in the economy of a country is measured mainly in terms of foreign exchange receipts from tourists and its multiplier effects on different activities such as employment generation and effects on employment and income generation in rural areas. These all will have an effect on the regional balance of a country (Shrestha, 2000).

Berger (2005) says tourism has been playing a significant role in Nepalese economy since its establishment during 1950s. The topographical situation restricts industrial settlements, natural resources cannot be extracted because of low finances, and the limited agricultural cultivation areas cannot satisfy the growing demands of food. Regarding the situation, the only economic source with a future characteristic has become tourism. And today it plays a role of the biggest foreign-exchange earner as well as the economic sector with the biggest depended factor.

Tourism is one of the productive business activities directed for the production of goods and services. It is as an activity which produces various direct, indirect and induced impacts on the economy. The resultant income from tourism flows and being circulated in other sectors boosting the other economic activities which ultimately includes many rounds of income. Therefore, the role of tourism becomes distinct and significant in the economic growth and development of the country (Gautam, 2006).

Upadhyay (2006) has expressed that tourism not only nurtures the economic relationship but also binds the government and people and help to develop a sustainable understanding. It is a vital force for maintaining international peace and understanding. The significance of tourism should not be assessed only through the material benefit but also from non material gain. Tourism as a passport to development has been further extended as a passport to Peace signifying it as a means of international friendship, understanding, and peace (Upadhyay, 2006:16).

6.2.1 International Tourist Flow and Tourism Receipts Scenario

Tourism is an ever-growing industry of today's world. It has been considered as a major product of modernization and globalization.

Table 6.1 Scenario of International Tourists Flow and Receipts (1990-2007)

Year	World Visitors in Million	Annual Growth Rate in %	(World Tourism Visitor) Index	Receipts US\$ in Billion	Annual Growth Rate in %	(World Tourist Receipts) Index
*1990	451	-	100	269	-	100
1995	545	20.8	120.8	408	51.7	151.7
2000	686	25.9	152.1	475	16.4	176.6
2001	684	-0.2	151.7	463	-2.5	172.1
2002	703	2.8	155.9	480	3.7	178.4
**2003	690	-1.8	153.0	524	9.2	194.8
2004	763	10.6	169.2	623	18.9	231.6
***2005	803	5.2	178.1	676	8.5	251.3
2006	846	5.4	187.6	733	8.4	272.5
****2007	903	6.7	200.2	856	16.8	318.2

* Source WTO 2004, *Tourism Highlight 2004 Edition*

** WTO 2005, *Tourism Highlight 2005 Edition*

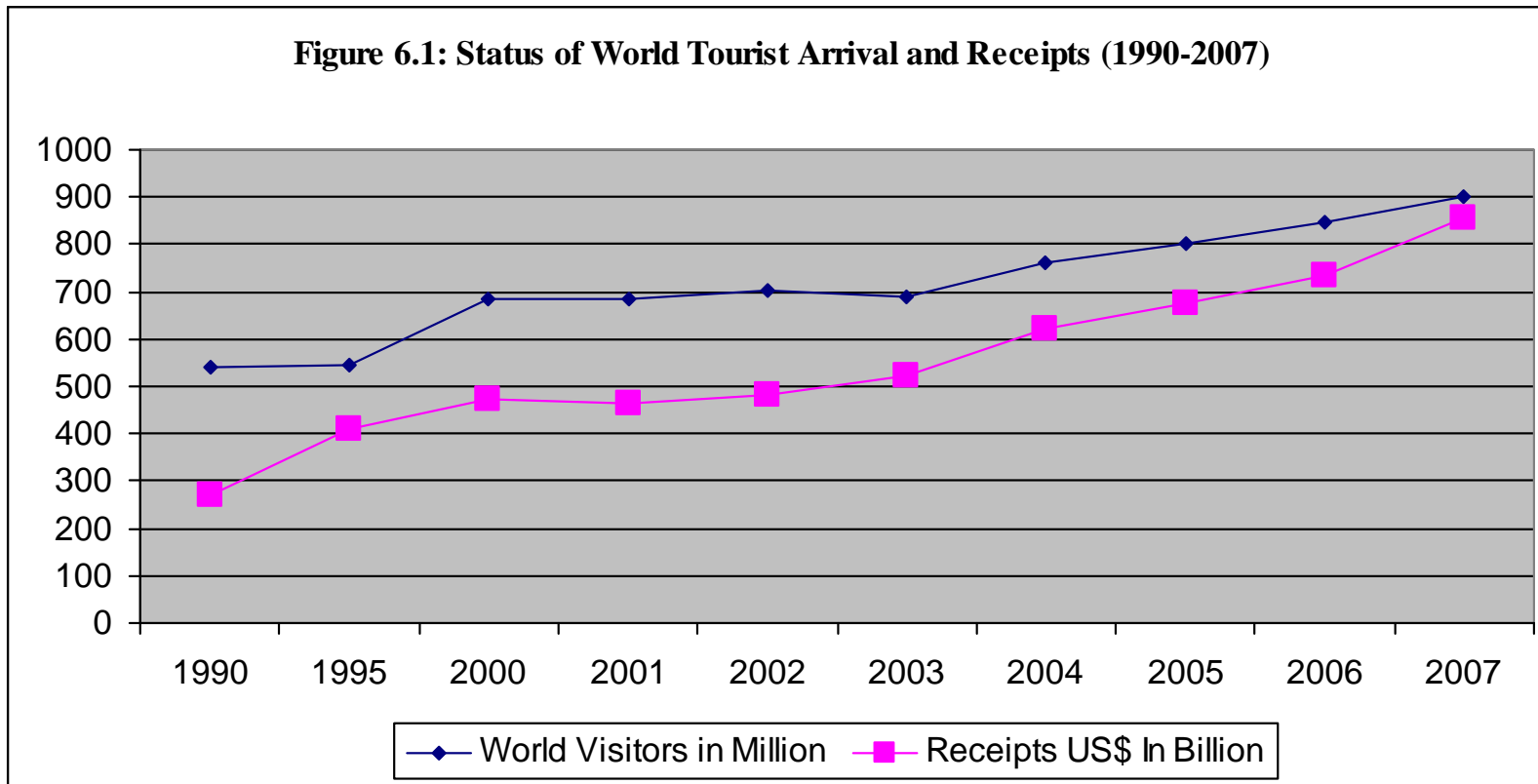
*** WTO 2007, *Tourism Highlights 2007 Edition*

**** WTO 2008, *Tourism Highlights 2008 Edition*

UNWTO, *World Tourism Barometer, Vol. 6, No. 1. January 2008*

The figure shown in table **6.1** summarizes the flow of international tourist arrival and the tourism receipts. The figure reveals that the total number of tourist arrival increased from 451 million in 1990 to 686 million in 2000 and the receipts reached from US\$ 269 billion to US\$ 475 billion during the corresponding years. It was also recorded that there was a minor fall in the flow of tourists in 2001 by 0.2 per cent. Similarly, owing to the incidence of 11th September 2001, fall of US dollar value, the receipts from tourism was also found to have decreased by 2.5 per cent during the corresponding year. The year 2002 showed a marginal improvement in tourist arrivals (2.8%) as well as receipts (3.7). However, owing to the effects of war in Iraq and threats of SARS in Asia, there was a negative growth of arrival by 1.8 per cent in 2003, but the receipt appeared a positive growth of 9.2 per cent. The following two years 2005 and 2006 showed a steady growth in terms of arrival (5.2% and 5.4%) as well as in receipts (8.5% and 8.4%). On the other hand, there was a significant growth of tourist arrival by 6.7 per cent and receipts by 16.8 per cent in 2007. It was noticed that during (1990-2007) the past 17 years the number of visitors was reported to have increased by more than two times higher while, the receipts was found to have increased by more than three times higher.

Figure 6.1: Status of World Tourist Arrival and Receipts (1990-2007)



It is very important to know the status of Nepal in the world tourism market in terms of tourist arrival as well as receipts, so that the position of Nepal in the international arena can be judged.

Table 6.2 Status of Nepal in World Tourist Arrival and Receipts (1990-2007)

Year	World Tourists in (000)	Visitors arrival in Nepal (000)	Share of Nepal in world visitors in %	World Tourism Receipts US\$ in million	Nepal's Tourism Receipts US\$ in million	Share of Nepal in world Tourism Receipt in %
*1990	451,000	255	0.06	269000	64	0.02
1995	545,000	363	0.07	408000	117	0.03
2000	686,000	464	0.07	475000	167	0.04
2001	684,000	361	0.05	463000	140	0.03
2002	703,000	276	0.04	480000	107	0.02
**2003	690,000	338	0.05	524000	193	0.04
2004	763,000	385	0.05	623000	180	0.03
***2005	803,000	375	0.05	676000	148	0.02
2006	846000	384	0.05	7330000	163	0.02
****2007	903000	526	0.06	856000	230	0.03

Source: Nepal Tourism Statistics 2007

Source * WTO, (UNWTO), Tourism Highlight- 2004, Edition

** WTO (UNWTO), Tourism Highlights- 2005, Edition

*** WTO (UNWTO), Tourism Highlights-2007 Edition

**** WTO (UNWTO), Tourism Highlights- 2008 Edition

The figure shown in table 6.2 indicates the percentage share of Nepal in terms of world tourist arrivals and tourism receipts. Regarding the share of Nepal in terms of total tourist arrival in the world, it was increased from 0.06 % in 1990, to 0.07 % in 2000.

The share of Nepal in the world tourist arrival remained constant at 0.05 to 0.07 per cent for some years, while in 2007 it appeared 0.06 per cent. It is apparent from the table that the percentage share of Nepal in terms of world tourist arrival represents nominal this may be due to the negative image of Nepal such as political disturbance, environmental pollution and uncertainty of strikes and Chhaka Jam etc.

In terms of tourism receipts, Nepal's share in the world reached the highest by 0.04 per cent in 2003 and since 2004 it remained steady ranging from 0.02 to 0.03 per cent till 2007. Hence, Nepal earns a very meager per cent of the world tourism receipt. This indicates that despite of having immense potentialities as well as the expenditure that has incurred in the tourism development, Nepal has not been able to capture the full opportunities from tourism.

6.2.2 Status of World's Top Tourist Destination and Tourism Earners (2006)

The world's leading tourism destination and tourism earning shows marked differences in terms of the types of tourist they attract, as well as their average length of stay and their spending per trip and per night.

Table 6. 3 World's Top Tourist Destination and Tourism Earners as well as Top Spenders 2006

Rank	Country	Arrival (in Million)	Rank	Country	US\$ Receipts (in Billion)	Outbound Spenders (Country)	US \$ in Billion Rank
1	France	79.1	1	USA	85.7	Germany	74.8
2	Spain	58.5	2	Spain	51.1	USA	72.0
3	USA	51.1	3	France	42.9	UK	63.1
4	China	49.6	4	Italy	38.1	France	32.2
5	Italy	41.1	5	China	33.9	Japan	26.9
6	UK	30.7	6	UK	33.7	China	24.3
7	Germany	23.6	7	Germany	32.8	Italy	23.1
8	Mexico	21.4	8	Australia	17.8	Canada	20.5
9	Austria	20.3	9	Turkey	16.9	Federation Russia	18.8
10	Russian Federation	20.2	10	Austria	16.7	Republic Korea	18.2

Source: (UNWTO), Tourism Highlight, 2007 and World Tourism Barometer, Volume 5. No.2. June 2007

Table 6.3 displays a top ten destinations of the world tourism market. In terms of arrivals, France holds the top position (79.1 million) overtaking Spain (58.5 million) and the USA (51.1 million) in 2006. However, in terms of receipts, USA stands at the first position representing US\$ 85.7 billion, followed by Spain (US\$52.1 billion) and France (UD\$ 42.9 billion). This highlights the fact that the USA attracts a greater share of higher spending, long haul tourists than its European competitors, While China stands at the fourth position in arrival constituting 49.6 million, whereas it appears in the fifth position in terms of receipts (US\$ 33.9 billion). Italy stands one step ahead in terms of receipts (US\$ 38.1 billion) and turns up one step back in terms of arrivals (41.1million) compared to China.

UK holds the sixth position both in terms of tourists arrivals (30.7 million) as well as tourism receipts (US\$ 33. 7 billion). This is followed by Germany in the both cases. Austria occupies the ninth position in arrivals (20.3 million) but it stands tenth position in terms of receipts (US\$ 16.7 billion). Regarding the tourist arrival in Mexico and the Russian Federation, their position has remained the eighth (21.4 million) and the tenth (20.2 million) positions respectively. However, both of these countries were unable to stand within top ten in the case of earnings. Instead of them, Australia and Turkey, though not enlisted in top ten tourist arrivals, have got eighth and ninth position respectively in terms of receipt.

Regarding the world's top outbound spenders, the table also depicts that Germany represents the highest (US\$ 74.8 billion) outbound spenders followed by USA (US\$ 72.0 billion), UK (US\$ 63.1 billion), France (US\$ 32.2 billion), Japan (US\$26.9 billion) and China (US\$ 24.3 billion) while, Italy (US\$23.1 billion), Canada (US\$20.5 billion), Federation Russian (US\$

18.8 billion) and Korea (US\$ 18.2 billion) represented the Sixth to tenth positions among the world's top ten spenders.

The largest beneficiaries of the international tourism are the top ranked ten countries, who remained intact almost every year with seldom exception of 1-2 countries at the lower end. They enjoy almost half of the world arrival and more than half of the tourism receipts.

Table 6. 4 International Tourism Receipt by Region in US \$ Billion (2000 - 2007)

Year	Europe		Asia & Pacific		Americas		Africa		Middle East		Total (World)	
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change
*2000	231.5	-	87.6	2.3	136.4	-	10.7	-	9.7	-	475.9	
2001	223.7	-3.4	86.7	-1.0	133.9	-1.8	10.3	-3.7	8.9	-8.2	463.5	-2.6
2002	243.2	8.7	98.7	13.8	113.8	-15.0	11.8	14.6	13.0	46.1	480.0	3.6
**2003	282.9	16.3	94.7	0.2	114.1	-0.3	15.5	31.4	16.3	25.4	524.0	9.2
2004	326.7	15.5	125.0	31.7	131.7	15.4	18.3	19.3	21.0	28.8	623.0	18.8
***2005	348.8	6.8	134.5	7.6	145.2	10.3	21.7	18.6	26.3	25.2	676.0	8.5
***2006	374.5	7.4	152.6	13.5	154.0	6.1	24.3	13.4	27.3	3.8	733.0	8.4
2007	433.4	15.7	188.9	22.7	171.1	11.1	28.3	15.0	34.2	25.3	856.0	16.8

Source: Pacific Asia Tourism Forecast (2004-2006)

WTO-2004 Tourism Highlights 2004 Edition

** Source WTO-2005, Tourism Highlights, 2005 Edition

*** Source: WTO -2007, Tourism Highlights, 2007 Edition

Figure 6.2 International Tourism Receipts by Region (2000-2007)

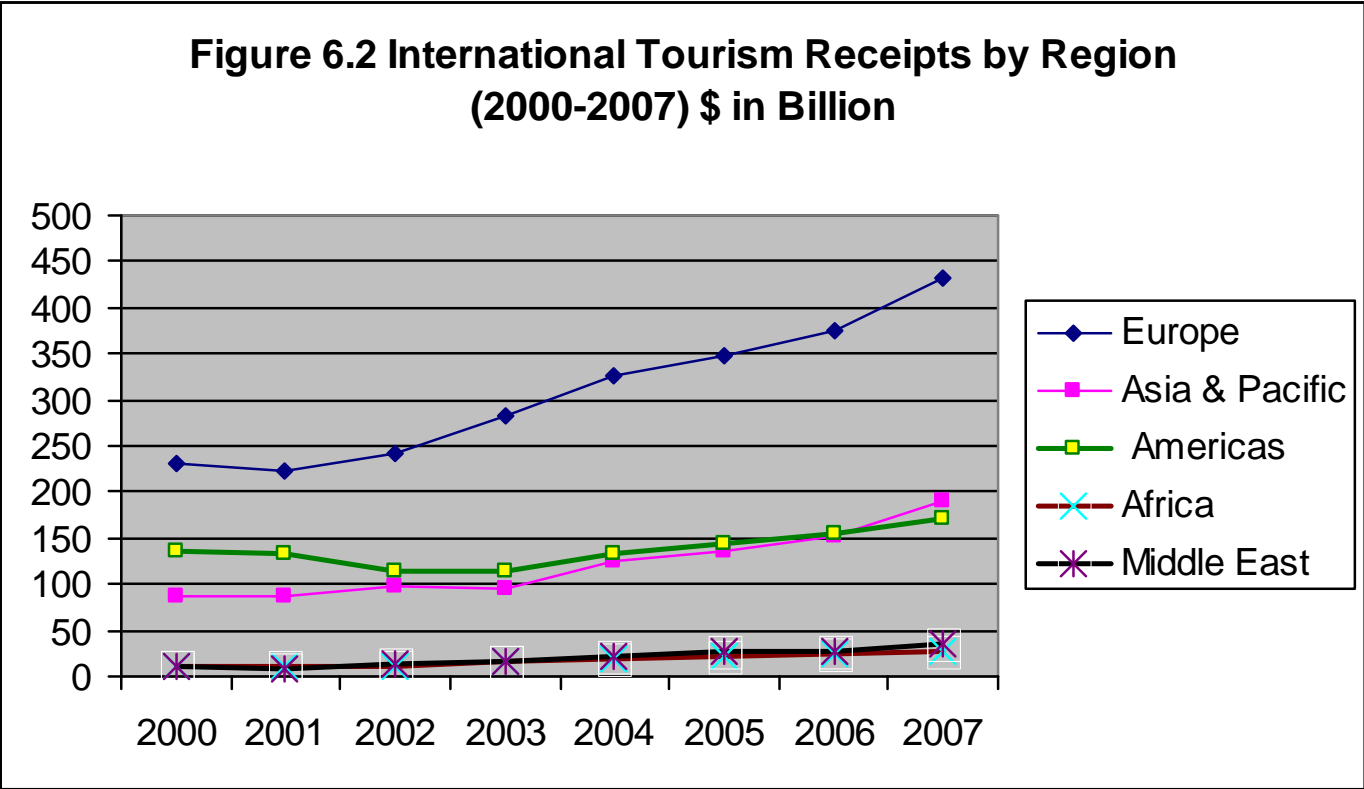


Table 6.4 depicts the summary of the international tourism receipt of different regions of the world. This also highlights that Europe stands at the top position in the tourism receipts amongst the different regions of the world. Its earning was reported to have increased from US\$ 231.5 billion in 2000 to US\$ 348.8 billion in 2005 with some fluctuations over the years. It was also noted that with a steady growth (7.4%) in 2006, it occurred a significant growth (15.7 %) in 2007.

Americas hold second position in the tourism receipt constituting US\$ 136.4 billion in 2000 to US\$ 154.0 billion in 2006 with a compound growth of by 12.9 percent over the years, while in 2007 though there was an increase in receipts by 11.1 per cent constituting (US\$ 171.1 billion,) it was found to be less compared to the receipts of Asia Pacific (US\$188.9 billion). As a result, since 2007 Asia Pacific turned up to the second position.

Asia and Pacific holds the third position in terms of receipt. Its earnings increased from US\$87.6 billion in 2000 to US\$152.6 billion in 2006 with a compound growth of 74.2 per cent over the years. Besides this, the year 2007 also showed a robust growth of receipts by 22.7 per cent compared to previous year and since then it turned up with brilliant performance in terms of tourism receipts.

The table demonstrates that Africa represents the fourth position in terms of earning. However, its earning was reported to have decreased from US\$ 10.7 billion in 2000 to US\$ 10.3 billion in 2001 by 3.7 per cent. But in the following years, there was improvement in its earning and the receipt has gone up from US\$ 11.8 billion in 2002 to US\$ 28.3 billion in 2007.

The earning of Middle East has also increased from US\$ 13.0 billion in 2002 to US\$ 34.2 billion in 2007 with a compound growth of 109.8 per cent over the years. Since 2002, it has been holding the fourth position, overtaking Africa in the fifth.

6.2.3 Tourist Arrival and Tourism Receipt by Asia Pacific and Share of Nepal in Asia Pacific (2000-2007)

Table 6.5 Status of Nepal in International Tourism Receipt by Asia Pacific (2000– 2007)

Year	Tourist arrivals in Asia & Pacific in US \$ (000)	Annual % Change	Total Tourist Arrival in Nepal (000)	Annual % Change	%Share of Nepal in Asia Pacific	Total Receipt of Asia & Pacific in US \$ Million	% Change	Income to Nepal from Tourism in US\$ Million	% Share of Nepal in Asia Pacific's Receipts
2000	115000	-	463.6	-	0.4	87600	-	166.8	0.19
2001	121000	5.2	361.2	15.9	0.3	91500	4.5	140.3	0.15
2002	131300	8.5	275.4	23.8	0.2	98700	7.9	106.8	0.10
2003	119300	-9.1	338.1	80.5	0.3	94700	-4.1	192.8	0.20
2004	152500	27.8	385.3	-6.7	0.3	125000	32.0	179.9	0.14
**2005	155300	1.8	375.4	17.5	0.2	134500	7.6	148.4	0.11
2006	167000	7.5	383.9	9.7	0.2	154000	14.5	162.7	0.11
***2007	184300	10.4	526.7	41.7	0.3	188900	22.7	230.6	0.12

Source: Asia Pacific- Tourism Forecast 2000-2006

WTO (2004) - Tourism Highlights, 2004 Edition

Source –WTO (2005) - Tourism Highlights 2005 Edition

** WTO (2007)-Tourism Highlights 2007 Edition

***WTO (2008) -Tourism Highlights 2008 Edition

Source: Tourism Statistics 2006, 2007(MOCTCA)

Table 6.5 reveals a summary of tourism receipt of the Asia Pacific and share of Nepal in Asia Pacific region. The total number of tourist arrival in the Asia Pacific was increased from 115000 thousand in 2000 to 184300 thousand in 2007 with a compound growth of 60.3 per cent over the years, while in Nepal the number of tourist arrival has reached from 463.6 thousand to 526.7 thousand during the corresponding period with a compound growth of 13.6 per cent over the period.

The percentage share of tourist arrival of Nepal in the Asia Pacific occupied highest with 0.4 per cent in 2000. Since 2001, the share of tourist arrival was

more or less stagnant at 0.3 per cent indicating that the real growth has not take place in recent year. This shows that though Nepal is full of natural beauties having immense potentialities for the development of tourism, it has not been able to market its products successfully compared to other neighboring countries of Asia.

The tourism receipts in Asia Pacific has also increased from US\$ 87600 million in 2000 to US\$ 188900 million in 2007 with a compound growth of 115.6 per cent over the years. In Nepal, the earning from tourism has increased from US\$ 166.8 million to US\$ 230.6 million during the corresponding year with a compound growth of 38.2 per cent. The share of Nepal in Asia Pacific was reported to be the highest with 0.20 per cent in 2003 which, gradually declined to 0.12 per cent in 2007.

Table 6.6 Status of Tourism in Selected South Asian Countries (2000-2006)

Country	Tourist Arrival 000				Receipts US\$ million			
	2000	2004	2005	2006	2000	2004	2005	2006
Bangladesh	199	271	208	200	50	67	70	80
Bhutan	8	9	14	17	10	12	19	24
India	2649	3457	3919	4430	3460	6170	7524	8885
Maldives	467	617	395	602	321	408	287	434
Nepal	464	385	375	384	167	180	148	163
Pakistan	557	648	798	898	81	179	181	254
Sri-Lanka	400	566	549	566	248	513	429	410

Source: Compiled from UNWTO, World Tourism Barometer, volume 5 No-2 June 2007 and Nepal Tourism, Statistics, 2006

Table 6.6 refers the status of selected South Asian Countries in terms of tourist arrival as well as receipts. India has always been a top country in tourism sector in South Asia. The total number of tourist arrival in India was reported 4430 thousand with receipts of US\$ 8885 million in 2006. It always recorded an increasing trend in terms of tourist arrival as well as tourism receipts. After India, Pakistan holds the second highest position in terms of tourist arrival and stands at the third position in terms of receipts. The number of tourist arrival in Pakistan was reported to 898 thousand with the receipts of US\$ 254.0 million in 2006.

Though Maldives is a small country, it stands at the third position in terms of tourist arrival as well as tourism receipts. The total number of tourist arrival in Maldives was noted to 602 thousand with the receipts of US\$ 434 million in 2006. This shows that the receipt was significantly higher than the tourist arrival.

Among South Asian Countries, Sri Lanka occupies the fourth position in terms of tourist arrival and stands at the second highest position in terms of tourism receipts. The total number of tourist arrival in Sri Lanka was reached 566 thousand with the earning of US\$ 410 million in 2006.

Nepal represents the fifth position in terms of tourist arrival as well as tourism receipt. In the year 2006, the number of tourist arrival in Nepal reached 384 thousand with the receipts of US\$ 163 million. The position of Nepal compared to South Asian countries does not show satisfactory, especially in terms of earning. It shows that Nepal lags significantly behind of India, Sri-Lanka and Maldives both in terms of tourist arrival as well as tourism receipts.

Bangladesh has been standing at the sixth position in terms of tourist arrival as well as tourism receipts. It was also reported that the number of tourist arrival in Bangladesh reached 200 thousand with the receipts of US\$ 80 million in 2006. It seems that Bangladesh is also trying to move ahead in terms of earning from tourism.

Bhutan holds seventh position in terms of tourist arrival (17 thousand) as well as tourism receipts (US\$ 24 million) in 2006. However, the growth rate of tourism receipts in Bhutan seems much higher than the growth rate tourist arrival.

6. 3 Foreign Exchange Earnings from Tourism in Nepal

Developing countries like Nepal needs an increasing amount of foreign exchange (especially convertible foreign exchange) during the process of its development. But, it is difficult to earn. At present, there are four main sources of earning of foreign exchange in Nepal. These are, foreign exchange received in the form of remittances from ex-servicemen and the younger citizen of Nepal who is employed abroad, money received in the form of foreign aid, trade and tourism. Among these, the former two are not dependable, as a result, the country has to depend more on trade and tourism industry. One should consider both to be permanent and essential sources of increasing the national income and earning of foreign exchange needed for the economic development of the country.

Tourism has been established as one of the crucial and stable source of foreign exchange earning in Nepal. The growth of foreign exchange earning has been a medium of salvation over the year for correcting trade deficit at some remarkable degree. (Sharma, 2001:48)

According to Holloway (1998:46), tourism is a labor intensive industry as the greatest proportion is likely to be derived from wages and salaries paid to those working in jobs either directly serving the needs of tourists or benefiting indirectly from the tourist's expenditure. He further adds that income will be greater in the areas which receive large numbers of tourists, where visitors tend to stay for longer periods where the destination attracts an up market or more free spending clientele and where there are many opportunities to spend.

**Table 6.7 Gross Foreign Exchange Earning in Convertible Currency
(1979 – 2007)**

Year	Total Foreign Exchange Earning US\$ in Million.	Annual % change	Average income per visitor per day US\$
1979	35.2	-	24.0
1980	51.6	46.6	38.0
1981	44.9	-13.0	38.0
1982	33.4	-25.6	21.0
1983	35.7	6.9	24.0
1984	41.3	15.7	33.0
1985	39.2	-5.1	27.0
1986	50.8	29.6	27.0
1987	60.2	18.5	27.0
1988	63.5	5.5	27.0
1989	68.3	7.6	29.0
1990	63.7	-6.7	27.2
1991	58.6	-8.0	31.0
1992	61.1	4.3	26.4
1993	66.3	8.6	26.4
1994	88.2	32.1	39.4
1995	116.8	32.4	42.1
1996	116.6	-0.1	31.9
1997	115.9	-0.6	38.3
1998	152.5	31.6	44.2
1999	168.1	10.2	39.0
2000	166.8	-0.7	38.2
2001	140.3	-15.9	39.6
2002	106.8	-23.8	64.8
2003	192.8	80.5	79.1
2004	179.9	-6.7	45.1
2005	148.4	-17.5	58.5
2006	162.8	9.7	55.0
2007	230.6	41.65	45.0

Source: Nepal Tourism Statistics, 2006, 2007

Table 6.7 shows the summary of foreign exchange earnings from tourism. The foreign exchange earning from tourism was found to have increased from US\$ 35.2 million in 1979 to US\$ 230.6 million in 2007, representing more than six

fold higher over the years, while the tourist arrivals (as shown in table 6.8) has increased from 162276 to 526000 representing more than three fold higher during the corresponding years. Similarly, the average income per visitor per day has increased from US\$ 24.0 in 1979 to US\$ 45.0 in 2007 representing more than one fold higher over the years. The growth rate of average income per visitor per day observed slow trend except in the years 2002 and 2004. This shows that the growth rate of foreign exchange earning from tourism was reported much higher than the number of tourist arrivals as well as average income per visitor per day.

**Table 6. 8 Gross Foreign Exchange Earning in Convertible Currencies
(1979 – 2007)**

Year	Average Income Per capita in US Dollar	Annual % Change in Average Income Per Capita	Total No of Tourists	Annual % Change of Tourist Arrival	Average Length of Stay
1979	282.4		162276		12.02
1980	422.5	49.61	162897	0.38	11.18
1981	398.7	-5.63	161669	-0.75	10.49
1982	275.8	-30.83	175448	8.52	13.33
1983	275.8	0.00	179405	2.26	11.53
1984	350.0	26.90	176634	-1.54	10.55
1985	308.3	-11.91	180989	2.47	11.3
1986	302.4	-1.91	223331	23.39	11.16
1987	318.5	5.32	248080	11.08	11.98
1988	327.5	2.83	265943	7.20	12.0
1989	347.6	6.14	239945	-9.78	12.0
1990	326.5	-6.07	254885	6.23	12.0
1991	292.2	-10.51	292995	14.95	9.25
1992	268.2	-8.21	334353	14.12	10.14
1993	315.6	17.67	293567	-12.20	11.94
1994	393.7	24.75	326531	11.23	10.0
1995	474.5	20.52	363395	11.29	11.27
1996	430.3	-9.32	393613	8.32	13.5
1997	401.9	-6.60	421857	7.18	10.49
1998	475.8	18.39	463684	9.91	10.76
1999	479.1	0.69	491504	6.00	12.28
2000	453.7	-5.30	463646	-5.67	11.88
2001	472.4	4.12	361237	-22.09	11.93
2002	512.0	8.38	275468	-23.74	7.92
2003	765.9	49.59	338132	22.75	9.6
2004	609.8	-20.38	385297	13.95	13.51
2005	532.0	-12.76	375398	-2.57	9.09
2006	561.0	5.45	383926	2.27	10.2
2007	535.0	-4.63	526000	37.0	11.96

Source: Nepal Tourism Statistics, 2007, MoCTCA Economic Survey - 2007/08, Ministry of Finance, Government of Nepal.

Table 6.8 represents the relationship between average incomes per capita, total number of tourist arrival, average income per visitor per day and average length of stay in Nepal.

The average income per capita increased from US\$ 282.4 million in 1979 to US\$ 350.0 in 1984 and the number of tourist arrival also increased from 162276 to 176634 during the corresponding years.

In the year 2001 though, the number of tourist declined by 22.09 per cent, the average income per capita increased by 4.12 per cent. This may be owing to the increase in the average expenditure per visitor per day by 3.7 per cent and average length of stay to 11.93 days compared to previous year.

While in 2003, with the increase in the number of tourist arrival by 22.75 per cent, the average income per capita was also increased by 49.59 percent.

On the contrary in 2004 though, the tourist arrival increased by 13.95 per cent, average income per capita was found to have decreased by 20.38 per cent, while average length of stay increased to 13.51 days. But average income per visitor per day was decreased by 42.9 per cent.

Similarly in 2007, though the number of tourist increased by 37.0 per cent, the average income per capita decreased to 4.6 per cent and average income per visitor per day also decreased by 18.2 per cent, while the average length of stay increased to 11.9 days. Thus it can be inferred that average income per capita is not affected by only one factor like number of tourist arrival, but there are other factors like average income per visitor per day and average

The marginal effect of ALS on FXE is -0.646 . This means that an increase of one percentage on ALS is expected to decrease FXE, on average, by 0.646 percent. The t- statistic for both constant and ALS coefficient are not significant at 1 per cent level, since, the p-values for constant (p-value= 0.011) and ALS coefficient (p-value=0.0479) are greater than 0.01.

Further, to examine the effect of serial autocorrelation, Durbin-Watson Statistics is computed and test null hypothesis (H_0) that there is no positive serial autocorrelation.

For 28 observations and single independent variable at 1% significance level, **Durbin-Watson table shows that $d_L = 1.104$ and $d_U = 1.244$** , and the estimated DW statistic under linear and non linear regressions model are below the lower critical limit indicating a presence of positive autocorrelation. Since the regression (i) and (ii) are plagued by autocorrelation, the t-statistic and goodness of fit measure are exaggerated. Beside that inverse relationship between FXE and ALS in both simple and log-linear regression models may be due to presence of serial correlation in the model. Due to the presence of autocorrelation, as shown by D-W statistic on using Cochrane-Orcutt iterative procedure, the D-W **statistics $d=2.038$** is observed for simple linear regression, since **$d= 2.038 > \text{critical } d_u = 1.244$ indicates** there is no positive serial auto correlation in model. In other words the model is free from serial autocorrelation. Therefore, variance of estimated regression coefficient will be minimum. Thus an estimated regression of ALS on FXE 3.804 is better than presence of autocorrelation.

1.c. The estimated simple linear (Cochrane-Orcutt two-step procedure) equation of foreign exchange earning (FXE) on average length of stay (ALS) of tourists along with t-statistic in parenthesis is,

$$\begin{aligned} \text{FXE} &= 89.932 + 3.804 \text{ALS} && \dots \text{ (iii)} \\ & \quad (2.079) \quad (1.636) \\ R^2 &= 0.100 \quad \bar{R}^2 = 0.025 \quad F = 2.676 \quad \text{D-W Statistic} = 2.038 \\ \text{No. of observation} &= 28 && \text{DF} = 24 \\ \text{ALS} &= \text{Average Length of Stay} && \text{FXE} = \text{Foreign Exchange Earning} \\ & * \text{Significant at 1.0 \% level of significance} \\ & ** \text{Significant at 10.0\% level of significance} \end{aligned}$$

The value of R^2 indicates that 10 percent of variation in foreign exchange earning (FXE) is explained by the average length of stay of tourist. The adjusted R^2 indicates only 2.5 percent of variation in FXE is explained by ALS of tourists. The calculated $F = 2.676$ indicates that the regression model is not significant at 1 percent level of significance since calculated F is less than the tabulated $F_{(1, 24)} = 7.82$.

The marginal effect of ALS on FXE is 3.804. This means that an increase of ALS is expected to increase FXE, on average, by 3.804 units. The t- statistic for both constant and ALS coefficient are not significant at 1 per cent level, since, the p-values for both constant (p-value= 0.048) and ALS coefficient (p-value=0.115) are greater than 0.01.

1.d. The estimated simple log-linear (Cochrane-Orcutt two-step procedure) equation of foreign exchange earning (FXE) on average length of stay (ALS) of tourists along with t-statistic in parenthesis is,

$$\text{Log FXE} = 1.852 + 0.267 \text{ Log ALS} \quad \dots \text{(iv)}$$

(6.567) (1.168)

$R^2 = 0.054$ $\bar{R}^2 = -0.025$ $F = 1.363$ $DW \text{ Statistic} = 1.942$

No. of observation = 28 *DF = 24*

ALS = Average Length of Stay *FXE = Foreign Exchange Earning*

**Significant at 1.0 % level of significance*

*** Significant at 10.0% level of significance*

The value of R^2 indicates that 5.4 percent of variation in foreign exchange earning (log FXE) is explained by the average length of stay (Log ALS) of tourist. A negative adjusted R^2 indicates that the average length of stay (ALS) does not adequately describe the foreign exchange earning. The calculated $F=1.363$ indicates that the regression model is not significant at 1 percent level of significance since calculated F is less than the tabulated $F_{(1, 24)=7.82}$.

The marginal effect of ALS on FXE is 0.267. This means that an increase of one percentage in ALS is expected to increase FXE, on average, by 0.267 percentage. The t- statistic for ALS coefficient is not significant at 1 per cent level, since, the p-value for ALS coefficient (p-value=0.254) is greater than 0.01. However, t-statistic for constant is significant at 1 per cent level of significance. The values of DW statistics for both linear and log linear (Cochrane-Orcutt two step procedure) do not show autocorrelation.

Eliminating effect of autocorrelation by using Cochrane- Orcutt two steps process, there is a positive impact on FXE due to ALS. Besides, an estimated regression coefficient of ALS (=0.267) after improving the marginal impact is now positive. In practice the increasing average length of stay (ALS) makes

increase in the average FXE. Thus expected result can be attended on removing serial autocorrelation from the model.

From the above linear and nonlinear model analysis; we conclude that average length of stay of tourists does not influence the foreign exchange earning. On eliminating the serial correlation from the models, it is observed that marginal effect of ALS on FXE is increasing in simple linear and log-linear models. But noted that even eliminating effect of autocorrelation, t- values of regression coefficient in both linear and log-linear regression models are improved but still in significant.

2. Simple linear and log-linear regression model of foreign exchange earning on total number of tourists (1979-2006):

2.a The estimated simple linear regression model of foreign exchange earning (FXE) on total number of tourists (TNOT) along with t-statistic in parenthesis is,

$$FXE = -37.8239 + 0.0004 TNOT \quad \dots (v)$$

$$(-2.364) \quad (8.6755)$$

$$R^2 = 0.7432 \quad \bar{R}^2 = 0.7334 \quad F = 75.2649 \quad DWStatistic = 0.5948$$

No. of observation = 28 DF = 26
 TNOT = Total Number of Tourist Arrival FXE = Foreign Exchange Earning
 *Significant at 1.0 % level of significance
 ** Significant at 10.0% level of significance

The value of R² indicates that 74.32 percent of variation in foreign exchange earning is explained by the total number of tourists' arrival. An adjusted R² indicates 73.34 percent of variation in foreign exchange earning is explained by the total number of tourists' arrival. The calculated F= 75.2649 indicates that the regression model is significant at 1 percent level of significance because significance F is below 1 percent.

However, from the linear regression it depicts that the marginal effect of TNOT on FXE is 0.0004. This means that an increase of one percentage in TNOT is expected to increase FXE, on average, by 0.0004 percent and this increment is significant at 1 percent level of significance since p-value $0.0000 < 0.01$. The estimated constant term -37.8239 is not significant at 1 percent level of significance since p-value $0.0258 > 0.01$ but it is significant at 5 percent level of significance.

2. b To examine the non-linear relationship between FXE and TNOT log-linear regression model is attempted, the estimated simple log-linear regression model of foreign exchange earning (FXE) on total number of tourists (TNOT) along with t-statistic in parenthesis is,

$$\text{Log } \bar{F}\bar{X}\bar{E} = -6.003 + 1.451 \text{ Log TNOT} \quad \dots \text{ (vi)}$$

$$\quad \quad \quad (-8.211) \quad (10.822)$$

$$R^2 = 0.818 \quad \bar{R}^2 = 0.811 \quad F = 117.124 \quad \text{DWStatistic} = 0.5839$$

No. of observation = 28 *DF = 26*
TNOT = Total Number of Tourist Arrival *FXE = Foreign Exchange Earning*
**Significant at 1.0 % level of significance*
*** Significant at 10.0% level of significance*

Both the value of R^2 and adjusted R^2 indicates that approximately 81 percent of variation in foreign exchange earning is explained by the total number of tourists' arrival. The calculated $F = 117.124$ indicates that the regression model is significant at 1 percent level of significance because significance F is below 1 percent.

The marginal effect of TNOT on FXE is 1.451. This means that an increase of one percentage in TNOT is expected to increase FXE, on average, by 1.451 percentages and this increment is significant at 1 percent level of significance since p-value $0.0000 < 0.01$. The estimated constant term -6.003 is also

significant at 1 per cent level of significance since $p\text{-value } 0.000 < 0.01$. Larger value of adjusted R^2 for log-linear model of FXE on TNOT indicates that this model is better than simple linear regression.

Further, to examine the effect of serial autocorrelation, Durbin-Watson Statistics is computed and test null hypothesis (H_0) that there is no positive serial autocorrelation. For 28 observations and 1 independent variable the 1% Durbin-Watson table shows that and, and the estimated DW statistic under linear and non linear regressions model are below the lower critical limit indicating a presence of positive autocorrelation. Since the regression (v) and (vi) are plagued by autocorrelation, the t-statistic and goodness of fit measure are exaggerated. Due to the presence of autocorrelation as shown by D-W statistic, the model was improved using Cochrane-Orcutt iterative procedure.

2. c The estimated simple linear (Cochrane-Orcutt two-step procedure) equation of foreign exchange earning (FXE) on total number of tourists (TNOT) along with t-statistic in parenthesis is,

$$\text{FXE} = -20.908 + 0.0004 \text{TNOT} \quad \dots \text{(vii)}$$

$$\quad \quad \quad (-0.652) \quad (4.50)$$

$R^2 = 0.458$ $\bar{R}^2 = 0.412$ $F = 20.252$ $D\text{-W Statistic} = 1.896$
No. of observation = 28 *DF = 24*
TNOT = Total Number of Tourist Arrival *FXE = Foreign Exchange Earning*
**Significant at 1.0 % level of significance*
*** Significant at 10.0% level of significance*

The value of R^2 indicates that 45.8 percent of variation in foreign exchange earning is explained by the total number of tourists' arrival. An adjusted R^2 indicates 41.2 percent of variation in foreign exchange earning is explained by the total number of tourists' arrival. The calculated $F = 20.252$ indicates that

the regression model is significant at 1 percent level of significance because significance F is below 1 percent.

The marginal effect of TNOT on FXE is 0.0004. This means that an increase of TNOT is expected to increase FXE, on average, by 0.0004 units and this increment is significant at 1 percent level of significance since p-value $0.00015 < 0.01$. The estimated constant term -20.908 is not significant at 1 percent level of significance since p-value $0.52 > 0.01$.

2.d The estimated simple log-linear (Cochrane-Orcutt two-step procedure) equation of foreign exchange earning (FXE) on total number of tourists (TNOT) along with t-statistic in parenthesis is,

$$\text{Log } \hat{\text{FXE}} = -4.149 + 1.116 \text{ Log TNOT} \quad \dots \text{ (viii)}$$

$$(-2.767) \quad (4.098)$$

$$R^2 = 0.412 \quad \bar{R}^2 = 0.363 \quad F = 16.792 \quad \text{DW Statistic} = 1.761$$

No. of observation = 28

DF = 24

TNOT = Total Number of Tourist Arrival FXE = Foreign Exchange Earning

**Significant at 1.0 % level of significance*

*** Significant at 10.0% level of significance*

The value of R^2 indicates that 41.2 percent of variation in foreign exchange earning is explained by the total number of tourists' arrival. An adjusted R^2 indicates 36.3 percent of variation in foreign exchange earning is explained by the total number of tourists' arrival. The calculated $F = 16.792$ indicates that the regression model is significant at 1 percent level of significance because significance F is below 1 percent.

The marginal effect of TNOT on FXE is 1.116. This means that an increase of one percentage TNOT is expected to increase FXE, on average, by 1.116 percentages and this increment is significant at 1 percent level of significance

since p-value $0.0004 < 0.01$. The values of DW statistics for both linear and log linear (Cochrane- Orcutt two step procedure) do not show autocorrelation.

From the above linear and nonlinear model analysis; we conclude that total number of tourist's arrival influenced the foreign exchange earning. On revising the effect of serial correlation from the models, the linear and log-linear relationship between FXE and TNOT are not improved but the variance of estimated regression estimate makes minimum. The estimated regression coefficients are more reliable than the estimated coefficient without removing serial autocorrelation.

3. Simple linear and log-linear regression model of foreign exchange earning on number of hotels (1979-2006):

3. a. The estimated simple linear regression model of foreign exchange earning (FXE) on number of hotels (NOH) along with t-statistic in parenthesis is,

$$\text{FXE} = 36.623 + 0.131 \text{ NOH} \quad \dots \text{(ix)}$$

(7.45) (15.218)

$$R^2 = 0.899 \quad \bar{R}^2 = 0.895 \quad F = 231.579 \quad \text{DW Statistic} = 1.862$$

No. of observation = 28

DF = 26

NOH = Number of Hotels

FXE = Foreign Exchange Earning

**Significant at 1.0 % level of significance*

*** Significant at 10.0% level of significance*

The value of R^2 and adjusted R^2 indicates that about 89 percent of variation in foreign exchange earning is explained by the number of hotels. The calculated F statistic 231.579 is extremely high and is significant at 1 percent level of significance indicating that the fit is very good.

However, from the linear regression it depicts that the marginal effect of NOH on FXE is 0.131. This means that an increase of one NOH is expected to increase FXE, on average, by 0.131 units and this increment is significant at 1 percent level of significance since p-value $0.000 < 0.01$. The estimated constant term 36.623 is also significant at 1 per cent level of significance since p-value $0.000 < 0.01$.

3. b To examine the non-linear relationship between FXE and NOH log-linear regression model is attempted, the estimated simple log linear regression model of foreign exchange earning (FXE) on number of hotels (NOH) along with t-statistic in parenthesis is,

$$\text{Log FXE} = 0.635 + 0.522 \text{ Log NOH} \quad \dots (x)$$

(9.416)
(19.161)

$$R^2 = 0.934 \quad \bar{R}^2 = 0.931 \quad F = 367.154 \quad \text{DWStatistic} = 1.671$$

No. of observation = 28 *DF = 26*
NOH = Number of Hotels *FXE = Foreign Exchange Earning*
**Significant at 1.0 % level of significance*
*** Significant at 10.0% level of significance*

The value of R^2 and adjusted R^2 indicates that about 93 percent of variation in foreign exchange earning is explained by the number of hotels. The calculated F statistic 367.154 is extremely high and is significant at 1 percent level of significance indicating that the model fits the data very well.

However, from the linear regression it depicts that the marginal effect of NOH on FXE is 0.522. This means that an increase of one NOH is expected to increase FXE, on average, by 0.522 units and this increment is significant at 1 percent level of significance since p-value $0.000 < 0.01$. The estimated constant term 0.635 is also significant at 1 per cent level of significance since p-value $0.000 < 0.01$.

Further, to examine the effect of serial autocorrelation, Durbin Watson Statistics is computed and test null hypothesis (Ho) that there is no positive serial autocorrelation For 28 observations and 1 independent variable the 1% Durbin-Watson table shows that $d_L=1.104$ and $d_U=1.244$. The estimated DW statistic for the simple and log linear models of NOH on FXE are respectively 1.862 and 1.671 lies between $d_U < d < 4 - d_U$, that is $1.244 < d < 2.756$ indicates there is absence of autocorrelation. In the context of relationship for FXE on NOH, the proposed linear and log linear models free from the autocorrelation. It indicates the estimated regression coefficients in both models are reliable. Since, the models are free from serial autocorrelation, no need to apply Cochran- Orcutt two step method to make improve in the models. However, on comparing the results of simple and log- linear models, later model is better than former because an adjusted R^2 value of log- linear model is higher than simple regression model. Besides that the t- statistics of log-linear regression coefficient of NOH is greater than regression coefficient of simple linear regression. It depicts that regression coefficient of NOH of the log – linear model is highly significant than simple linear regression. On the top of that high value of F Statistics of the log – linear indicate that this model is better than simple linear regression.

4. Simple linear and log-linear regression model of foreign exchange earning on number of beds (1979-2006):

4.a The estimated simple linear regression model of foreign exchange earning (FXE) on number of beds (NOB) along with t-statistic in parenthesis is,

$$\begin{aligned}
 \text{FXE} &= 23.016 + 0.004 \text{ NOB} && \dots \text{ (xiii)} \\
 & \quad (4.022) \quad (14.964) \\
 R^2 &= 0.896 \quad \bar{R}^2 = 0.892 \quad F = 223.911 \quad \text{DW Statistic} = 1.796 \\
 \text{No. of observation} &= 28 && \text{DF} = 26 \\
 \text{NOB} &= \text{Number of Beds} && \text{FXE} = \text{Foreign Exchange Earning} \\
 & * \text{Significant at 1.0 \% level of significance} \\
 & ** \text{Significant at 10.0\% level of significance}
 \end{aligned}$$

The value of R^2 and adjusted R^2 indicates that about 89 percent of variation in foreign exchange earning is explained by the number of beds. The calculated F statistic 223.911 is extremely high and is significant at 1 percent level of significance indicating that the fit is very good.

However, from the linear regression it depicts that the marginal effect of NOB on FXE is 0.004. This means that an increase of one NOB is expected to increase FXE, on average, by 0.004 units and this increment is significant at 1 percent level of significance since $p\text{-value } 0.000 < 0.01$. The estimated constant term 23.016 is also significant at 1 per cent level of significance since $p\text{-value } 0.000 < 0.01$.

To examine non-linear regression between FXE and NOB log- linear regression model is attempted.

4. b The estimated simple log linear regression model of foreign exchange earning (FXE) on number of beds (NOH) along with t-statistic in parenthesis is,

$$\text{Log FXE} = -1.107 + 0.722 \text{ Log NOB} \quad \dots \text{ (xiv)}$$

$$\quad \quad \quad (-6.008) \quad (16.401)$$

$$R^2 = 0.912 \quad \bar{R}^2 = 0.908 \quad F = 268.988 \quad \text{DW Statistic} = 1.419$$

No. of observation = 28 *DF = 26*
NOH = Number of Hotels *FXE = Foreign Exchange Earning*
**Significant at 1.0 % level of significance*
*** Significant at 10.0% level of significance*

The value of R^2 and adjusted R^2 indicates that about 91 percent of variation in foreign exchange earning is explained by the number of beds. The calculated F statistic 268.988 is extremely high and is significant at 1 percent level of significance indicating that the model fits the data very well.

The marginal effect of NOB on FXE is 0.722. This means that an increase of one percentage NOH is expected to increase FXE, on average, by 0.722 units and this increment is significant at 1 percent level of significance since $p\text{-value}$

0.000 < 0.01. The estimated constant term -1.107 is also significant at 1 per cent level of significance since p-value 0.000 < 0.01.

Further, to examine the presence and absence of serial autocorrelation Durbin Watson Statistics is computed and test the null hypothesis (Ho) that there is negative autocorrelation. Therefore, estimated regression coefficient in linear model is reliable and less variance. Hence, the Cochran-Orcutt two steps procedure is not attempted.

For 28 observations and 1 independent variable the 1% Durbin-Watson table shows that $d_L = 1.104$ and $d_U = 1.244$, and the estimated DW statistic lies between $d_U < d < 4 - d_U$, that is, $1.244 < d < 2.756$ indicates there is absence of autocorrelation.

Values of DW statistics for both linear and log linear (Cochrane-Orcutt two step procedure) do not show autocorrelation.

5. Multiple linear and log-linear regression model of foreign exchange earning(FXE) on average length of stay (ALS), total number of tourists (TNOF), no. of hotels(NOH) and no. of beds(NOBS) (1979-2006):

In order to measure the impact of explanatory variable ALS, TNTA, NOH, and NOB collectively on FXE estimated multiple linear and log-linear model is used.

5. a The estimated multiple linear regression model of (FXE) on ALS, TNOT, NOH, and NOB along with t-statistic in parenthesis is,

$$\bar{F\bar{X}E} = -29.2082 + 3.6456 ALS + 0.0001 TNOT + 0.1262 NOH - 0.005 NOB$$

$$(-1.0063) \quad (1.6874) \quad (2.7334) \quad (0.8932) \quad (-0.1385)$$

(xvii)

$$R^2 = 0.937 \quad \bar{R}^2 = 0.926 \quad F = 85.5237 \quad DW \text{Statistic} = 2.1236$$

No. of observation = 28

DF = 23

*Significant at 1.0 % level of significance

** Significant at 10.0% level of significance

The value of R^2 and adjusted R^2 indicates that about 93 percent of variation in foreign exchange earning is jointly explained by average length of stay, total no. of tourists, no. of hotels and the number of beds. The calculated F statistic 85.5237 is high and it is significant at 1 percent level of significance indicating that the multiple linear model is best.

5. b However, to examine non-linear relationship, multiple log-linear model the estimated multiple log-linear regression model of log (FXE) on log ALS, log TNOT, log NOH, and log NOB along with t-statistic in parenthesis is,

$$\log \bar{F\bar{X}E} = 0.34 + 0.371 \log ALS + 0.123 \log TNOT + 0.698 \log NOH - 0.285 \log NOB$$

$$(0.226) \quad (1.494) \quad (0.593) \quad (2.370) \quad (-0.768)$$

... (xviii)

$$R^2 = 0.946 \quad \bar{R}^2 = 0.936 \quad F = 100.294 \quad DW \text{Statistic} = 1.7275$$

No. of observation = 28

DF = 23

*Significant at 1.0 % level of significance

** Significant at 10.0% level of significance

The value of R^2 and adjusted R^2 indicates that about 94 percent of variation in foreign exchange earning is jointly explained by average length of stay, total no. of tourists, no. of hotels and the number of beds. The calculated F statistic 100.294 is high and it is significant at 1 percent level of significance indicating

that the multiple linear model is also found to be best fit. The values of DW statistics for both linear and log linear do not show autocorrelation, therefore, the estimated regression coefficients of explanatory variables under consideration to explain FXE are reliable and less variance. Hence, Cochran-Orcutt two steps procedure is not attempted. However, on comparing the multiple linear and non linear models, F value of non- linear is found to be greater than F value of multiple linear. Thus multiple log-linear is better model than multiple linear model.

Test of Hypothesis:

1. Hypothesis was tested using appropriate statistical tools as specified in the methodology.

It was expected that Average Length of Stay (ALS) would effect the foreign exchange earning from tourism (FXE).

Ho – There is no significant effect of Average Length of Stay (ALS) on Foreign Exchange Earning (FXE).

H₁ – There is a significant effect of Average of Stay (ALS) on Foreign Exchange Earning (FXE).

There is an impact of Average Length of Stay (ALS) on Foreign Exchange Earning from tourism (FXE). The value of R² indicates that 5.4 per cent of variation in foreign exchange earning (Log FXE) is explained by the average length of stay (Log ALS) of tourist. The marginal effect of ALS on FXE is 0.267. This means that an increase of one per cent in ALS is expected to increase FXE, on average by 0.267 per cent. The t- statistics for ALS coefficient is not significant at 1 per cent level, since, the p- value for ALS coefficient (p- value = 0.254) is greater than 0.01. However, the value of DW

Statistics for both linear and log linear (Cochrane- Orcutt two step procedure) do not show autocorrelation. Eliminating effect of autocorrelation by using Cochrane- Orcutt two steps process, there is a positive impact on FXE due to ALS.

This indicates that the H_0 (null hypothesis) is not accepted in favour of H_1 (alternative hypothesis) that there is a positive impact of average length of Stay on Foreign Exchange Earning (FXE).

2. It was expected that Total Number of Tourist Arrival (TNOT) would effect the foreign exchange earning from tourism (FXE).

H_0 – There is no significant effect of Total Number of Tourist (TNOT) on Foreign Exchange Earning from tourism (FXE).

H_1 – There is a significant effect of Total Number of Tourist (TNOT) on Foreign Exchange Earning from tourism (FXE).

There is a positive impact of total number of tourist arrival on foreign exchange earning. The result of log- liner Cochrane- Orcutt two step shows that the value of R^2 indicates that 41.2 per cent of variation in foreign exchange earning is explained by the total number of tourist arrival. The calculated $F = 16.792$ indicates that the regression model is significant at 1 per cent level of significance. The marginal effect of TNOT on FXE is 1.116. This means that an increase of one per cent TNOT is expected to increase FXE, on average by 1.116 per cent significant at 1 per cent level of significance.

The DW Statistics for both linear and log linear (Cochrane – Orcutt two procedure) do not show autocorrelation. This indicates that H_0 (null hypothesis) is rejected and H_1 alternative) hypothesis is accepted that there is a positive impact of tourist arrival on foreign exchange earning.

3. It was expected that Number of Hotels (NOH) would affect the foreign exchange earning from tourism (FXE).

Ho – There is no significant effect of Number of Hotels (NOH) on Foreign Exchange Earning from tourism (FXE).

H₁ – There is a significant effect of Number of Hotels (NOH) on Foreign Exchange Earning from tourism (FXE).

The regression result shows that there is a stronger relationship between independent variable (NOH) and dependent variable (FXE). The R² and adjusted R² indicate that about 93 per cent of variation in foreign exchange earning is explained by the number of hotels. The calculated F statistic 367.154 is extremely high and is significant at 1 per cent level if significance indicating that the model fits the data very well.

The marginal effect of NOH on FXE is 0.522. This means that an increase of one per cent NOH is expected to increase FXE, on average by 0.522 per cent and this increment is significant at 1 per cent level of significance. The estimated DW statistic 1.671 indicates that there is absence of autocorrelation. It indicates that the estimated regression coefficient in both simple linear and log linear are reliable. This also indicates that Ho (null) hypothesis is rejected and H₁ – alternative hypothesis is accepted that there is a positive impact of number of hotels on foreign exchange earning from tourism.

4. It was expected that Number of Beds (NOB) would effect the foreign exchange earning from tourism (FXE).

Ho – There is no significant effect of Number of Beds (NOB) on Foreign Exchange Earning (FXE).

H₁ – There is a significant effect of Number of Beds (NOB) on Foreign Exchange Earning (FXE).

The regression result shows that there is a stronger relationship between independent variable (NOB) on dependent variable (FXE). The R² which is thought as coefficient of determination estimated as 0.812. It means the explanatory power of model is 87.1 per cent. The calculated F statistic 268.988 is extremely high and significant at 1 per cent level of significance indicating that the fit is very good.

The marginal effect of NOB on FXE is 0.722. This means that an increase of one per cent NOH is expected to increase FXE, on average by 0.722 per cent, and this increment is significant at 1 per cent level of significance. The DW Statistic estimated 1.419 indicates that there is absence of autocorrelation.

So the log linear regression model is accepted. Thus number of beds has a greater impact on earning foreign exchange in the country. This indicates that Ho – null hypothesis is rejected in favour of alternative hypothesis that there is a significant impact of number of beds on foreign exchange earning from tourism.

Regression Analysis: Economic Impact of Total Number of Tourist Arrival on Average Income per Capita

This section attempts to examine the effect of total number of tourist arrival on average income per capita. TNTA is the variable included in the model as explanatory variable indicating effects of number of tourist arrival in the

country. Analysis therefore includes above variable in different combination to determine the explanatory power of independent variable in simple linear regression and Cochran-Orcutt two step model.

Table 6:9 Analysis of Economic Impact of Total Tourist Arrivals on Average Income per Capita (Simple Linear - 1979-2006)

Equation	Dependent Variable	Coefficients		Statistics		
		Constant	Independent Variable (TNTA)	R ²	F	DW
a	AIPC	212.4635*	0.0006461**	0.3039	11.35*	0.668986
		3.51	3.37			

Note:

*Significant at 1 per cent level

** Significant at 5 per cent level

No of Observation=28 Deg of Freedom =26 Year 1979 - 2006

TNTA =Total Number of Tourist Arrival, AIPC = Average Income Per Capita

The regression result showed that the relationship between AIPC (Average Income Per Capita) dependent variable and TNTA (Total Number of Tourist Arrivals as independent variable is found to be positive and significant at 5 per cent level of significance. R² value was 0.3039 which shows that variation in total number of tourist arrival (TNTA) is explained by the extent of 30.39 per cent average income per capita (AIPC).

The computed values of F_(1, 26) was 11.35 against the table value 7.72 which is significant at 1 % level indicating existence of regression.

The t-value for β_I coefficient TNTA is found 3.37 which is significant at 5 per cent level against the table value 1.706 which indicates increase in one per cent tourist arrival would lead to increase in average income per capita by 0.000646 per cent.

The DW statistics shows the positive autocorrelation which is 0.668986 and it is less than the table value 1.10 dl and 1.24 du in 1 per cent significant level. So the model was improved to simple linear Cochran- Orcutt two step levels.

Table 6:10. Regression Analysis of Economic Impact of Total Tourist Arrivals on Average Income Per Capita (Simple Linear C-O two step – 1979-2006)

Equation	Dependent Variable	Coefficients		Statistics		
		Constant	Independent Variable(TNTA)	R ²	F	DW
b	AIPC	275.6996*	0.000044	0.0438	51.92	1.810621
		2.92	1.31			

Note:

* Significant at 1 per cent level

** Significant at 5 per cent level

* ** Significant at 10 per cent level

No of Observation=28 Deg of Freedom=26 Year 1979 - 2006

TNTA= Total Number of Tourist Arrival, AIPC = Average Income per Capita

The coefficient of simple linear Cochran - Orcutt method shows that t-value of β_I 1.31 which doesn't show any significance. This indicates that increase in one per cent tourist arrival would lead to increase in average income per capita by 0.000044 per cent.

Similarly, R^2 value estimated as 0.0438 which indicates that the variation of independent variable TNTA can be explained to the extent of 0.04% of dependent variable AIPC. It means the explanatory power of the model is 0.04%.

However, the regression result showed that the relationship between AIPC as dependent variable and TNTA as independent variable is found to be positive. $F_{(1, 26)}$ test constituted 51.92 against the table value 7.72 which shows the existence of regression.

DW statistics also showed no presence of positive auto-correlation. 1.810621. So the model was accepted. However, the power of R^2 showed weak relation. So the model is improved to simple log linear model.

Table 6:11. Regression Analysis of Economic Impact of Total Tourist Arrivals on Average Income Per Capita. (Simple Log Linear – 1979-2006)

Equation	Dependent Variable	Coefficients		Statistics		
		Constant	Independent Variable(TNTALog)	R^2	F	DW
c	AIPC	0.1564	0.4469*	0.3403	13.41	0.671684
		0.24	3.66			

Note:

* Significant at 1 per cent level

** Significant at 5 per cent level

*** Significant at 10 per cent level

No of Observation=28 Deg of Freedom=26 Year 1979 - 2006

TNTA= Total Number of Tourist Arrival, AIPC = Average Income per Capita

The simple log linear regression method shows that the observed value of t in β_1 coefficient TNTA was estimated as 3.66 which is significant at 1 percent level against table value of 2.473. This indicates one per cent increase in tourist arrival would lead to increase in average income per capita by 0.4469 per cent.

Similarly, R^2 which is thought as coefficient of determination estimated as 0.3403 which indicate that the variation in independent variable TNTA can explain to the extent of 34.03% of dependent variable AIPC. It means the explanatory power of the model is 34.03%. The computed value of $F(1, 26)$ statistics was 13.41 which is significant at 5 per cent level against the table value 7.72 indicating existence of regression. The DW statistics 0.671684 also showed the presence of autocorrelation against the table value. So the model was improved to Log Linear Cochran-Orcutt Two step method.

Table 6:12 Regression Analysis on Economic Impact of Total Tourist Arrivals on Average Income Per Capita (Log Linear C-O two step – 1979-2006)

Equation	Dependent Variable Log	Coefficients		Statistics		
		Constant	Independent Variable(Log TNTA)	R ²	F	DW
d	AIPC	1.0342	0.2865	0.8649	19336.42	1.7353
		0.86	1.29			

Note:

* Significant at 1 per cent level

** Significant at 5 per cent level

*** Significant at 10 per cent level

No of Observation=28 Deg of Freedom=26 Year 1979 – 2006

TNTA =Total Number of Tourist Arrival AIPC = Average Income per Capita

The values of R² is 0.8649 which shows that variation of log TNTA can be explained to the extent of 86.49 per cent in the variation of dependent variables log AIPC in second equation.

Similarly, the computed value of F statistics (2, 26) was 19336.42 which is significant at 1 per cent level against the table value 5.53 indicating the existence of regression.

The t-value for β_1 coefficient of log AIPC was 1.29. This indicates one per cent increase in log TNTA would lead to 0.28646 percent increase in Average Income Per Capita. DW statistics showed no presence of autocorrelation 1.7353. So the log linear Cochran-Orcutt two step is followed to deal with the problem.

Test of Hypothesis

Hypotheses were tested using appropriate statistical tools as specified in the methodology.

It is expected that total number of tourist arrival would increase the average income per capita.

H_0 – there is no significant impact of total tourist arrival on average income per capita.

H_1 - there is a significant impact of total tourist arrival on average income per capita. The result from table no-8 show that the observed value of t of β_1 coefficient log TNTA showed 1.29 which does not show any significance level.

The computed value of R^2 is 0.8649 which shows that variation in total number of tourist arrival (log TNTA) is explained by 86.49 per cent in log AIPC (dependent variable).

Similarly, the computed value of $F_{(2 - 26)}$ statistics is 19336.42 which is significant at 1 per cent level against the table value 5.53 indicating the existence of regression.

The DW statistics 1.735 also show the presence of no autocorrelation. This indicates that

The H_0 (null hypothesis) was not accepted in favor of alternative hypothesis that there is a significant impact of tourist arrival on average income per capita.

Table 6.13 Government Expenditure & Income from Tourism FY 1980/81- 2002/03

Rs. in Million

Fiscal Year	Total Govt. Expenditure on Tourism	Annual Percentage Change	Total Development Budget	Annual Percentage change	Share of Tourism Expenditure in Total Budget %	Convertible Foreign Exchange Income from Tourist Expenditure	Percentage Change in Income
1980/81	4.0	-	2731.1	-	0.15	616.8	-
1981/82	4.8	20.0	3726.9	36.5	0.13	493.8	-19.9
1982/83	5.7	18.8	4982.1	33.7	0.11	491.1	-0.6
1983/84	6.8	19.3	5163.8	3.7	0.13	585.7	19.3
1984/85	6.1	-10.3	5488.6	6.3	0.11	724.9	23.8
1985/86	4.7	-22.9	6213.3	13.2	0.08	863.8	19.2
1986/87	13.8	193.6	7378.0	18.8	0.19	1208.1	39.9
1987/88	11.1	-19.3	9428.0	27.8	0.12	1415.1	17.1
1988/89	17.2	54.4	12328.7	30.8	0.14	1856.5	31.2
1989/90	18.2	6.9	12997.5	5.4	0.14	1541.7	-16.9
1990/91	12.4	-32.6	15979.5	22.9	0.08	1993.8	29.3
1991/92	12.5	0.8	16512.8	22.9	0.08	3090.7	55.0
1992/93	61.8	394.4	19413.6	3.3	0.32	2615.1	15.4
1993/94	68.1	10.2	21188.2	17.6	0.32	4819.7	84.3
1994/95	147.4	116.5	19794.9	9.1	0.74	5896.2	22.3
1995/96	189.2	28.4	24980.5	6.6	0.75	6605.9	12.0
1996/97	203.7	7.7	26542.6	26.2	0.77	6158.8	-6.8
1997/98	159.5	-21.7	28943.9	6.3	0.55	7850.9	27.5
1998/99	154.1	-3.4	28531.3	9.1	0.54	11584.2	47.6
1999/00	221.5	43.7	31749.2	-1.4	0.70	11691.0	0.9
2000/01	383.7	73.2	37065.9	11.3	1.04	11969.2	2.4
2001/02	253.9	-33.83	31482.2	16.8	0.81	7798.5	-34.8
2002/03	189.7	-25.29	29033.0	-15.1	0.65	10369.4	33.0

Source: Economic Survey (Various Issues) Government. of Nepal, Ministry of Finance. Economic Survey 2006/07, Government of Nepal, Ministry of Finance.

Government is indispensable in every economic sector, because it plays a vital role in the development of natural resources, preparation of the qualified human resources and in building of a firm foundation for the promotion and development of the industry (ESCAP, 2001).

Mill and Morrison (1992) and Hall (1994) mention that the government plays various roles in planning, coordinating, controlling and implementing national tourism policies (UN ESCAP, 2001:3). So, the government should involve in sectors such as tourism for achieving the public objectives and also for the survival and prosperity of such sector. It is only the government that has legitimacy to establish national objectives and policies, resources to perform the function as well as the power to direct and control many diverse bodies involved in tourism (Elliott, 1997: 54).

Government equally functions to develop a wide range of tourism products, implement development plans, and maximize positive impacts from tourism such as the creation of jobs to generate income and employment, which ultimately foster the balanced regional development. Being a distinct and productive economic sector, tourism has been successfully attracting the attention of the government particularly to develop the infrastructure needed for its development (UN ESCAP, 2001:176).

The table **6.13** presents summary of Government expenditure and income from tourism. The income from tourism to the government which rose from Rs. 616.8 million in FY 1980/81 to Rs. 6605.9 million in 1995/96 and with some ups and downs over the years it reached to Rs.11969.2 million in 2000/01 constituting a growth of 2.4 per cent compared to previous year, while the development expenditure for tourism was also increased from Rs.4.0

million to Rs.189.2 million during the corresponding year. Similarly, government expenditure was also increased to Rs.383.7 million in 2000/01, with some fluctuation over the years. However, in the following years, the government expenditure on tourism was gradually decreased to Rs.189.7 million in 2002/03 and the income from this sector was also decreased to Rs.10369.4 million during the corresponding year.

This indicates that the percentage change in development expenditure for tourism in total development expenditure remained to be minor except in the year 2000/01. It was also noticed that comparing the government expenditure on tourism, the contribution of tourism to the government showed much higher. This also proves that there is a relationship between government expenditure and income from tourism. So if the government increases its budget for tourism development, it will certainly give positive return.

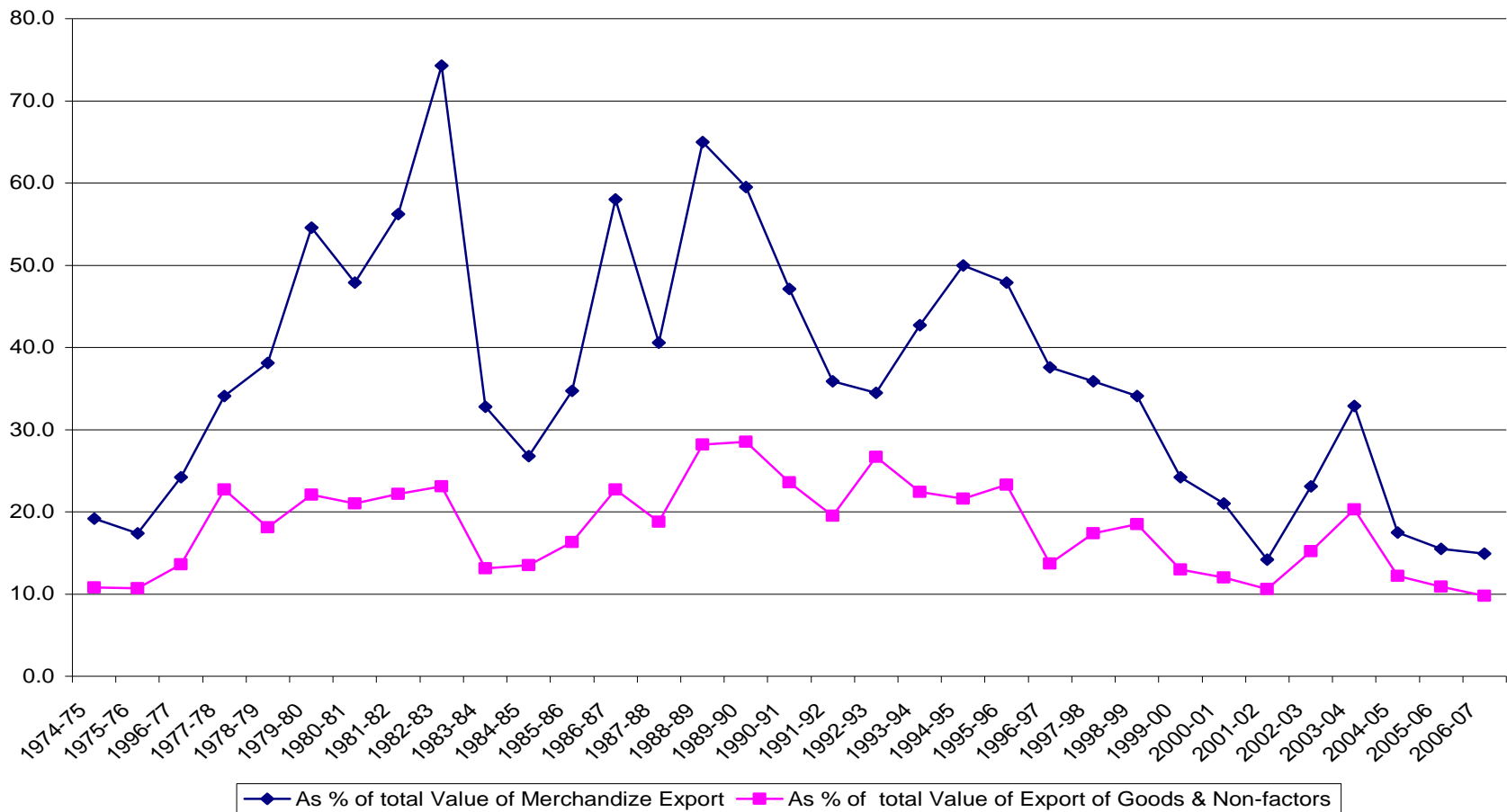
Table 6.14 Percentage Share of Foreign Exchange earning in different Sectors of the Economy (1974/75-2006/07)

Rs. in Million

Year	Total Foreign Exchange Earning from Tourism	As % of total Value of Merchandize Export	As % of total Value of Export of Goods & Non-factors	As % of Foreign Exchange Earning	As % of GDP
1974/75	170.6	19.2	10.8	30.2	1.0
1975/76	209.9	17.4	10.7	24.4	1.2
1976/77	288.0	24.2	13.6	26.3	1.7
1977/78	363.2	34.1	22.7	24.8	1.9
1978/79	497.1	38.1	18.1	26.9	2.3
1979/80	636.8	54.6	22.1	26.9	2.9
1980/81	773.4	47.9	21.0	29.2	3.1
1981/82	841.5	56.2	22.2	36.8	3.0
1982/83	844.2	74.3	23.1	37.3	2.5
1983/84	561.0	32.8	13.1	19.7	1.4
1984/85	735.4	26.8	13.5	19.8	1.6
1985/86	1071.0	34.7	16.3	18.5	2.0
1986/87	1740.5	58.0	22.7	26.6	2.9
1987/88	1675.7	40.6	18.8	18.2	2.3
1988/89	2735.3	65.0	28.2	24.5	3.3
1989/90	3121.2	59.5	28.5	23.3	3.2
1990/91	3587.6	47.1	23.6	21.8	3.2
1991/92	5016.9	35.9	19.5	20.0	3.6
1992/93	5966.0	34.5	26.7	17.6	3.7
1993/94	8251.7	42.7	22.4	18.9	4.1
1994/95	8973.2	50.0	21.6	17.3	4.1
1995/96	9521.2	47.9	23.3	21.4	3.8
1996/97	8523.0	37.6	13.7	17.6	3.0
1997/98	9881.6	35.9	17.4	15.2	3.3
1998/99	12167.8	34.1	18.5	15.9	3.6
1999/00	12073.9	24.2	13.0	8.4	3.2
2000/01	11717.0	21.0	12.0	7.4	2.9
2001/02	8654.3	14.2	10.6	6.1	2.1
2002/03	11747.4	23.1	15.2	8.4	2.6
2003/04	18147.4	32.9	20.3	11.4	3.7
2004/05	10464.0	17.5	12.2	6.1	1.8
2005/06	9556.0	15.5	10.9	4.6	1.5
2006/07	10125.0	16.1	10.7	4.5	1.4

Source: Economic Survey 2006/07, Government of Nepal, Ministry of Finance.

Figure 6. 3 Importance of Foreign Exchange Earning from Tourism in Nepal (1974/75 – 2006/07)



It is widely considered that tourism has been playing a key role in the Nepalese economy for earning foreign exchange in order to meet the requirements of imports of the economy. It is visualized from table 6.14 that there was a continuous improvement of total foreign exchange earnings from tourism. The income from tourism was increased from Rs.170.6 million in 1974/75 to Rs.18147.4 million in 2003/04 with some fluctuation over the years. Since 2004/05 it was declined to Rs. 9556.0 million in 2005/06. Nevertheless, there was an increase in income of Rs10125.0 million constituting the growth of 6.0 per cent in 2006/07 compared to previous year.

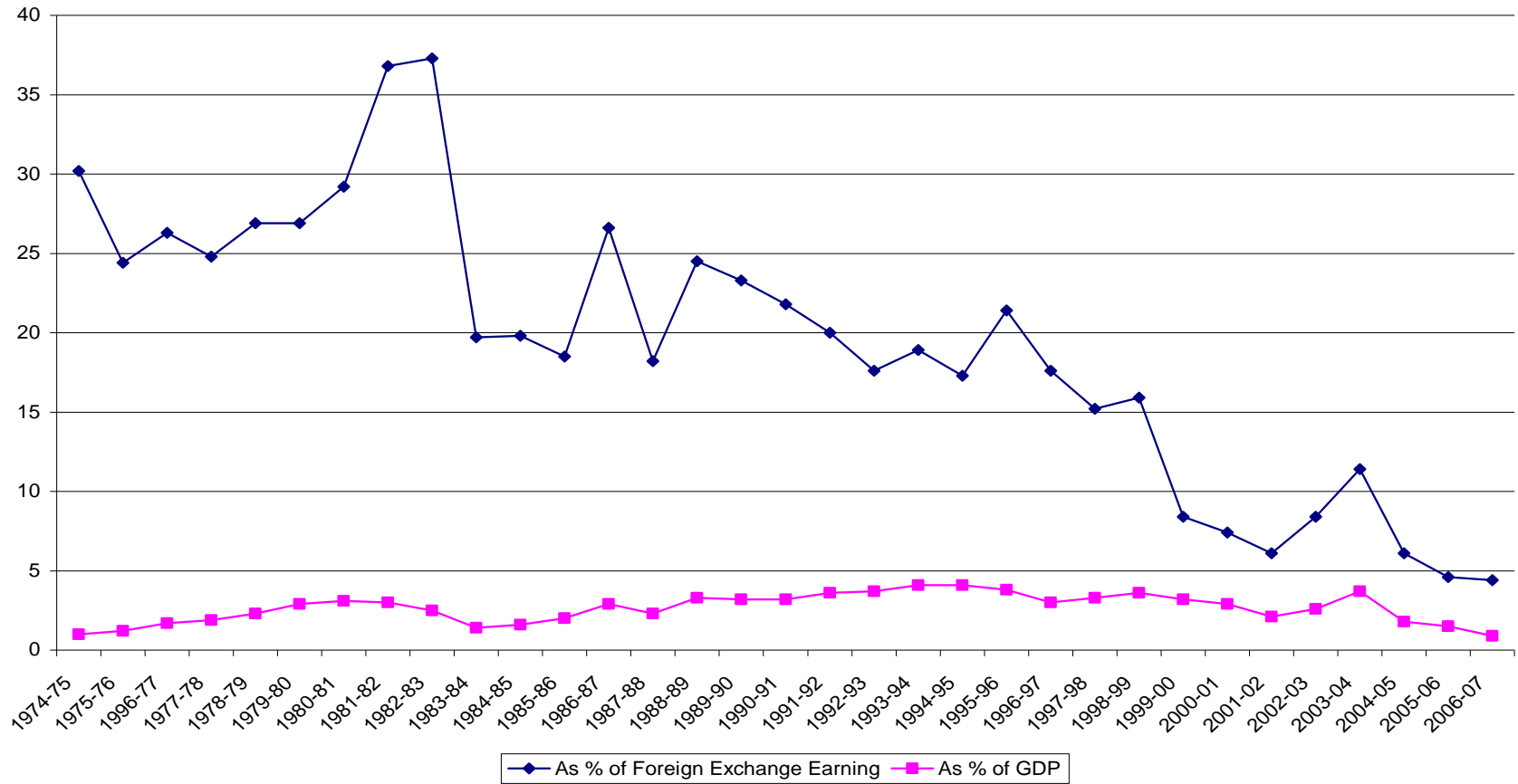
The percentage share of merchandize export of Nepal was also increased from 19.2 per cent in the mid seventies to 65 per cent in 1988/89. The share reached the highest value at the nineties by 59.5 per cent and soon after it declined to 16.1 per cent in the year 2006/07.

So far the contribution of tourism in the total value of exports of goods and non factor services is concerned, the highest percentage observed in 1989/90 by 28.5 per cent, which began to decline gradually with certain ups and down and reached to the level of 10.7 per cent in 2006/07.

Regarding the percentage share of foreign exchange earnings from tourism, it reached to the maximum of 37.3 per cent in the year 1982/83. However, it fluctuated up to the year 1995/96 and thereafter it gradually declined to the level of 4.5 per cent in 2006/07. Over more than one and half decades, the share has been trimmed to almost one fifth.

Similarly, relating to the gross domestic product, the percentage share of earning also increased from 1.0 per cent in the year 1974/75 to 4.1 per cent in 1994/95 and since 1995/96 it fell down continuously and reached at 1.4 per cent in 2006/07.

Figure 6. 4 Earning from Tourism in Total Foreign Exchange Earning and GDP of Nepal (1974/75 – 2006/07)



6. 5 Government Revenue from Tourism Fees

Tourism provides significant contributions to the government exchequer too. In Nepal the major sources of revenue from tourism consists of hotel tax, visa and trekking fees, mountaineering fees, national parks entry fees and air flight tax etc.

Government revenues from tourism sector can be categorized as direct and indirect contributions. Direct contributions are generated by taxes on incomes from tourism's employment and tourism business, and by direct levies on tourists such as departure taxes, while indirect contributions are originated from taxes and duties levied on goods and services supplied to tourists (Bhattari, 2008:25).

At present the airport tax for the departure to SAARC Countries has fixed Rs 1356 and to other international countries it amounts to Rs 1695. Similarly, the visa fee for single entry has fixed US\$ 30 and for multiply it reports to US\$ 50 (Bhattari, 2008:15).

Table 6. 15 Government Revenue from Tourism Fees (FY 1997/98 - 2006/07)**Rs. in Million**

Fiscal Year	Visa fees	(%) Change	Mountaineering and Trekking fees	(%) Change	Other Fees	(%) Change	Total Fees	(%) Change
1997/98	378.0	-	203.5	-	10.1	-	591.6	-
1998/99	586.7	55.2	254.2	24.9	6.1	-39.6	847.2	43.2
1999/00	848.7	44.6	203.1	-20.1	4.0	-34.4	1055.9	24.6
2000/01	911.5	7.4	207.4	2.1	15.1	277.5	1134.1	7.4
2001/02	709.3	-22.2	187.0	-9.8	2.8	-81.5	899.0	-20.7
2002/03	629.8	-11.2	234.2	25.2	0.1	-96.4	864.7	-3.8
2003/04	599.8	-4.8	38.3	-83.6	0.7	600.0	638.9	-26.1
2004/05	496.2	-17.3	239.1	524.9	0.6	-14.3	735.9	15.2
2005/06	510.7	2.9	31.2	-87.0	1.0	66.7	542.7	-26.3
2006/07*	600.0	17.5	180.0	477.0	1.0	0	781.0	43.9

Source: Budget Speech of Different Years, Government of Nepal, Ministry of Finance. *Figure indicates estimate

The total revenue collected from visa, mountaineering and trekking, and other sources by the department of immigration and foreign diplomatic mission under the ministry of Foreign Affairs, increased significantly from Rs. 591.6 million in FY 1997/98 to Rs.1134.1 million in FY 2000/01 constituting the growth by 7.4 per cent compared to the previous year as shown in table **6.15**. The revenue from visa fees was increased from Rs 378.0 million in 1997/98 to Rs.911.5 million in 2000/01 constituting the growth of 7.4 per cent compared to previous year, which gradually declined to Rs 496.2 million in 2004/05, while in FY 2006/07 the revenue increased to Rs.600.0 million in FY 2006/07.

Similarly, the revenue earned from mountaineering and trekking was found to be Rs254.2 million in 1998/99. Since 1999/00 it started to decline and reached Rs.31.2 million in 2005/06. However, in the year 2006/07 the revenue was increased to Rs.180.0 million.

The revenue generated from other fees reached Rs.15.1 million in 2000/01 and since 2001/02 it was gradually declined up to the year 2004/05 and remained steady at Rs.1.0 million over the subsequent years.

The political instability and trend of donation collection in the trekking areas was led to the fall in the total number of trekkers as well as their length of stay.

Revenue from National Parks

Nepal is rich in natural and cultural diversity and the country boasts the highest mountain chain in the world. Though the size of Nepal is small, bio-diverse nature has resulted in 15 protected areas covering roughly 14 per cent

of the total country's land. Trekking and mountaineering tourism is the most popular type of tourism of Nepal. It is also realized that tourism can play a significant role in the economic development of the mountainous areas of the country (Pandey, 2000:20).

**Table 6. 16 Revenue to the Government from National Parks of Nepal
(FY 1988/89 - 2006/07)**

(Rs. in Million)

Year	Revenue	Index	% Change
1988/89	3.0	100	-
1989/90	13.0	433.33	333.3
1990/91	16.0	533.3	23.1
1991/92	41.2	1373.2	157.5
1992/93	52.4	1746.5	303.1
1993/94	41.5	1388.2	-20.8
1994/95	43.8	1459.9	5.5
1995/96	72.3	2409.8	38.0
1996/97	63.3	2109.8	-12.4
1997/98	79.2	2639.7	25/1
1998/99	89.6	2986.3	13.1
1999/00	93.5	3116.3	4.4
2000/01	134.1	4469.5	43.4
2001/02	71.8	2393.1	-46.5
2002/03	60.8	2026.5	-15.3
2003/04	78.5	2616.5	29.1
2004/05	55.8	1859.9	-28.9
2005/06	64.6	2153.2	15.8
2006/07	94.6	3153.1	46.4

Source: Annual Report 2004/05 (Shrawan 2061 – Ashad 2062)

Annual Report 2006/07, Government of Nepal

*Ministry of Forest and Soil Conservation, Department of National Parks and
Wildlife Conservation*

Table **6.16** highlights the summary of revenue from national parks. There was a significant increase in income from national parks from Rs.3 million in 1988/89 to Rs. 134.1 million in 2000/01 with a compound growth of 44.7 per cent. Since 2001/02, the revenue from the national parks was reported to have fluctuated up to the year 2005/06 owing to the social and political disturbances in the country. However, there was a marked growth of income by 46.4 per cent in the year 2006/07. This shows that the prospects of generating revenue from national parks are immense.

6. 6 Royalty to the Government

Royalty from Mountaineering Expeditions

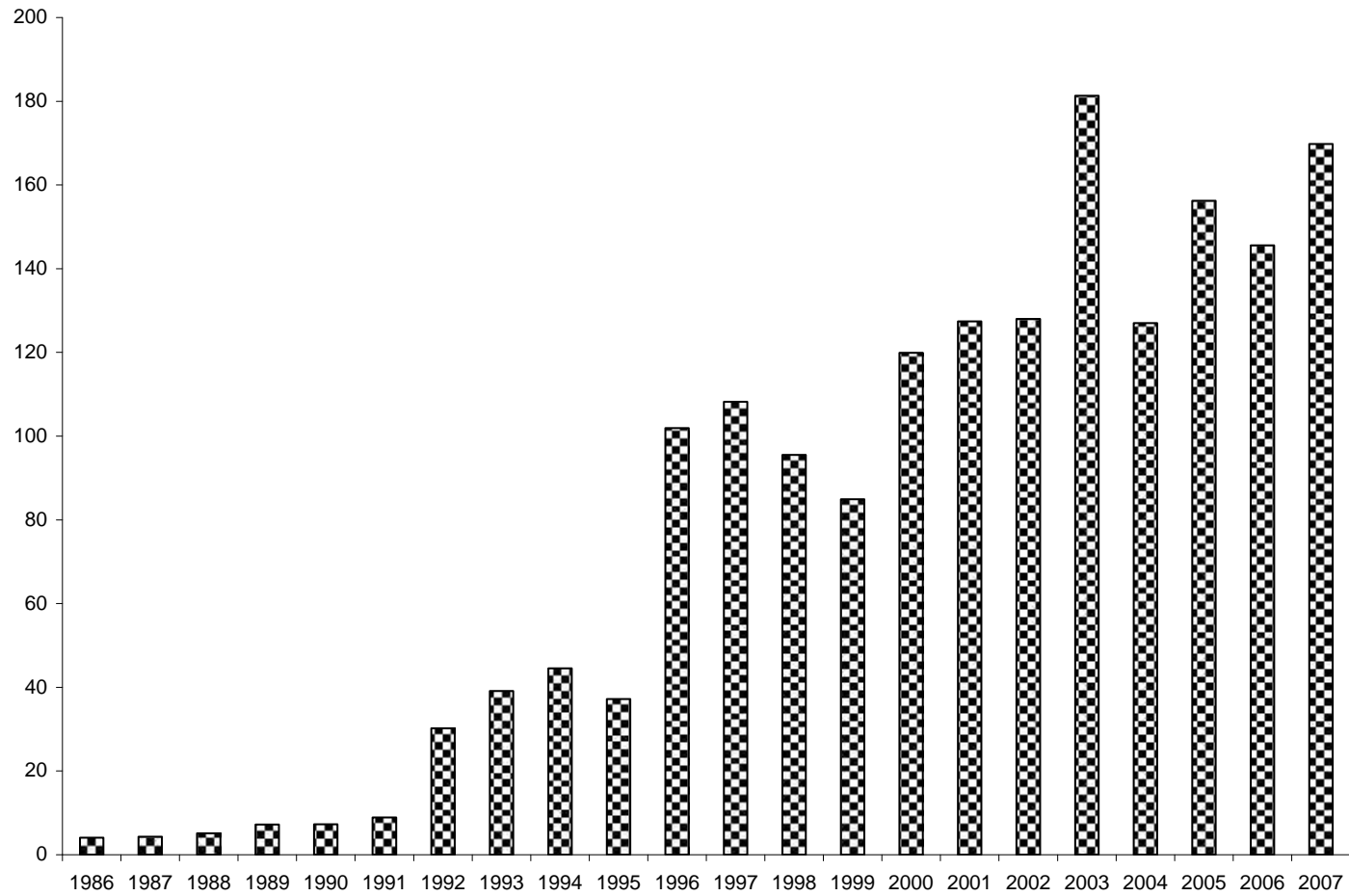
Trekking is an important segment of tourism industry of Nepal and is one of the major sources of foreign exchange earnings. There is no doubt that if we open and develop new trekking routes, it can contribute to the national economy through the increase in the employment of rural community (Upadhyaya, 2004).

Table 6.17 Royalty from Mountaineering Teams (1986 – 2007)**Rs. in Million**

Year	Royalty to the Government	% Change	Index	Expenditure of the Team
1986	4.1	-	100	28.9
1987	4.3	4.9	104.8	34.0
1988	5.1	18.6	124.3	42.6
1989	7.2	41.2	175.5	64.0
1990	7.3	1.4	177.9	68.4
1991	8.9	21.9	216.9	156.4
1992	30.2	240.4	738.4	101.4
1993	39.1	29.5	952.9	103.8
1994	44.5	13.8	1084.5	113.5
1995	37.2	-16.4	906.6	116.6
1996	101.9	173.2	2483.4	227.4
1997	108.2	6.2	2636.9	295.0
1998	95.5	-11.7	2327.4	382.4
1999	84.9	-11.1	2069.1	344.6
2000	119.9	41.2	2922.1	498.5
2001	127.4	6.3	3104.9	552.0
2002	128.0	0.5	3119.5	600.0
2003	181.3	41.6	4418.4	630.0
2004	127.0	-30.0	3095.1	494.5
2005	156.2	22.9	3806.7	400.1
2006	145.6	-6.8	3548.4	423.9
2007	169.8	16.6	4138.2	966.6

Source: *Tourism Statistics, 2005, 2006, 2007, MoCTCA, Nepal Government.*

Figure 6. 5 Royalties from Mountaineering Teams (1986 – 2007)



International tourism, in a true sense began in Nepal through mountaineering. After the successful scaling of Mount Everest by Tenzing Norgay and Sir Edmund Hillary in 1953, the attraction of snowy peaks of Nepal has lured many adventure tourists especially mountaineering. The royalty from mountaineering has been collected in Nepal through the Ministry of Tourism and Civil Aviation (M0CTCA) and Nepal Mountaineering Association (NMA). Table **6.17** summarizes the royalty from mountaineering teams. The royalty from mountaineering was found to have increased significantly from Rs. 4.1 million in 1986 to Rs. 181.3 million in 2003. However owing to the decline in the number of mountaineers and their short length of stay the revenue from mountaineers was reported to have declined to Rs.145.6 million in 2006. However with the improvement in the political condition of Nepal, the royalty from mountaineering was found to have increased to Rs. 169.8 million in 2007.

6. 7. Casino Royalty to the Government

Casino is also one of the sources of income of the government. The government of Nepal has been taking money in the form of Casino royalty since 2001/ 02 under separate headings.

Table 6.18 Casino Royalty to the Government from 2001/02 to 2006/07

(Rs. in Million)

Year	Casino Royalty	Annual % Change	Index
2001/02	54.9	-	100
2002/03	50.6	-7.8	92.1
2003/04	53.2	5.1	96.8
2004/05	89.6	68.4	163.0
2005/06	68.2	-23.9	124.0
2006/07	113.14	65.8	205.6

Source: Budget Speech of Different Years, Government of Nepal, Ministry of Finance.

The above table **6.18** represents the income from casino. The income from Casino showed a great fluctuation over the years. It, was increased from Rs. 54.9 million in 2001/02 to Rs. 89.6 million in 2004/05, while due to the down turn position of hotel business, the income was reported to have declined to Rs.68.2 million in 2005/06. But during the year 2006/07 with the rise in tourists flow, there was a healthy growth of income with Rs.113.1 million representing the growth of 65.8 per cent compared to the previous year.

6. 8 Government Income from tourism in the form of Tax

Hotel establishment is also one of the important sources of revenue of the government. Government collects revenue from the hotels in the form of tax.

**Table 6.19 Revenue from Hotel Tax During the year 1986/87- 2003/04
(Lodging, Bar, Foods)**

(Rs. in Million)

Year	Income from Hotel	Index	% Change
1986/87	66.0	100	-
1987/88	80.6	122.1	21.2
1988/89	93.2	141.2	15.6
1989/90	99.7	151.0	7.0
1990/91	115.6	175.1	16.0
1991/92	191.3	289.8	65.5
1992/93	223.4	338.4	16.8
1993/94	219.1	331.9	-1.9
1994/95	229.1	347.0	4.6
1995/96	284.2	430.5	24.1
1996/97	301.1	456.1	5.9
1997/98	45.9	69.5	-84.7
1998/99	1.5	2.3	-96.7
1999/00	1.8	2.8	20.0
2000/01	0.1	0.2	-17.0
2001/02	0.1	0.2	0
2002/03	0.0	0.0	0
2003/04	0.1	0.0	0

Source: Economic Survey 2003/04, Budget Speech of Different years. Government of Nepal, Ministry of Finance.

Table **6.19** represents the revenue from hotel in the form of tax which increased significantly from Rs. 66.0 million in the year 1986/87 to Rs. 301.1 million in 1997/98, representing an increase of 5.9 per cent compared to the previous year. It was also noticed that during the year 1998/99 the revenue from hotel tax was found to have decreased sharply by 96.7 per cent.

Similarly, during 1999/00 due to the successive political disturbances in the country like declaration of emergency period, Nepal Bandhs and Indian Plane hijacking in 1999, all this resulted a sharp fall of tourists flow in Nepal. As a result, some of the star and non star hotels were closed for not covering their daily expenses as well as not being capable of paying the interest of bank and other charges like electricity bill, telephone and drinking water bill etc. Since 2000/01 the government has levied tax for hotels in the form of VAT by 13 per cent on their sales.

6. 8. 1 Value Added Tax to Hotels & Restaurants

According to Holloway (1998:46) hotel and restaurant is in a labor intensive industry, the greatest proportion is likely to be derived from wages and salaries paid to those working in jobs either directly serving the needs of tourists or benefiting indirectly from the tourist's expenditure. He further adds that income will be greater in those areas which receive large numbers of tourists, where visitor tend to stay for longer periods where the destination attracts markets and there are many opportunities to spend.

Apart from these, income was also generated from other sources i.e. interest, rent, and profits on tourism business. This included for example, the interest paid on loans to an airline in order to buy aircraft, or rent paid to a landowner for a car parks or campsite near the sea. We can also count taxation on tourism activities, such as VAT on hotel bills or the direct taxation which some countries levy on tourists to raise additional public income. Many countries, including the UK, levy a departure tax on all international travelers, and in the USA airline taxes are levied on both departing and arriving travelers. The sum of all incomes on a country is called the national income and the importance of

tourism to a country's economy can be measured by looking at the proportion of national income created by tourism (Holloway, 1998:46)

Table 6.20 Gross Value Added by Industrial Division (Hotel Industry) from FY 2000/01 - 2006/07

(Rs. in Million)

Fiscal Year	Income from Hotels in the form of V. Add.	% Change	Total GDP	% Share of Hotels in the Total GDP
2000/01	8459	-	441519	1.9
2001/02	7143	-15.6	459443	1.6
2002/03	7540	5.60	492231	1.5
2003/04	8942	18.6	536749	1.7
2004/05	8895	-0.5	589412	1.5
2005/06	9368	9.3	654055	1.4
2006/07	10018	9.9	727089	1.4

Source: Economic Survey, 2006/07 and 2007/08 Government of Nepal – Ministry of Finance

Hotels play an important role in providing facilities for the transaction of business, meeting and conference, recreation and entertainments. In many areas, hotels are important attractions for visitors who tend to spend at a higher rate than they do when they are at home. Hotels contribute significantly to local economies both directly and indirectly through the subsequent diffusion of the visitor expenditure to other recipients in the community. Hotels are important in an international scale and especially in developing countries for the fulfillment of their foreign exchange requirements (Ramamurthi, 1985). Historically, the hotel industry is one of the oldest professions in the world and

was even mentioned in the ancient religious books of Nepal. There are different places of Nepal where there is no adequate hotels and restaurants to cater to the needs of travelers. Many references of Pati and Pauwa (temporary accommodation for tourists and pilgrims) are also given in the history of the development of hotels, representing one of the three fundamental pillars of tourism (travel, stay amusement), is not so long. The hotels as an enterprise for the production of goods and of services are of recent origin in Nepal (Agrawal, and Kayastha, 1984:46).

Satyal (1983) expressed that the concept of accommodation is fully realized in Nepal with the dawn of democracy and variety of facilities are offered to international visitors. Foreign tourists bring wealth for which the economists use the expression 'Invisible Exportation' of goods and services and Nepal fully considers that this form of exportation as particularly beneficial to the national economy of a country. Hotel in Nepal is a major source for earning foreign currency. Foreign tourists constitute an important element in the balance of payments. Since, the entry of deriving from the services of hotels, not only to cover in all or in part, the deficit of trade balances, but also to import the merchandize necessary for economic development of the country.

Table **6.20** shows that the revenue earned by the government from hotels and restaurant in the forms of value added tax increased gradually from Rs. 8459 million in 2000/01 to Rs. 10018 million in 2006/07 with some fluctuation over the years. The share of hotel in the total GDP was found to have declined from 1.9 per cent in 2000/01 to 1.4 per cent in 2006/07.

Since the hotel business is the spine of tourism, we have to evaluate its importance and influence in this context. There is a great challenge to the hotel industry that they are at the survival stage and in such a situation the hotels

need support from the government and the political parties for the tourism industry to grow and survive. It is very important to wipe out Nepal bandhs and closing down of hotels.

6. 9 Foreign Exchange Income by Different Sector of Tourism

Tourism is a multidimensional and multi sector industry. It is growing rapidly therefore the scope of tourism is being wider not only in the developed countries but also in underdeveloped countries like Nepal (Joshi, 2008:121). Tourism helps to generate foreign exchange earnings from various sources like hotels, travel trade, airlines and so on.

Table 6.21 Convertible Foreign Exchange Income from different Sectors of Tourism (1994/95 - 2006/07)

(US \$ in Million)

Fiscal Year	Hotel	Travel Agency	Airlines	Trekking / Rafting	Tourist Exchange	Others	Total% and US \$ in Millions
1994/95	10.4% (12.3)	36.1% (42.8)	20.1% (23.8)	9.6% (11.5)	17.2% (20.4)	6.6% (7.8)	100% (118.6)
1995/96	9.1% (10.8)	36.1% (43.0)	20.0% (23.8)	9.0% (10.7)	23.6% (28.1)	2.3% (2.7)	100% (119.1)
1996/97	9.4% (10.2)	39.7% (43.1)	16.1% (17.5)	7.9% (8.6)	24.4% (26.5)	2.6% (2.8)	100% (108.5)
1997/98	11.5% (15.1)	39.9% (52.3)	10.2% (13.3)	7.1% (9.3)	29.1% (38.1)	2.3% (3.0)	100% (131.0)
1998/99	17.5% (30.0)	36.6% (62.7)	7.8% (13.4)	8.4% (14.4)	24.9% (42.7)	4.7% (8.2)	100% (171.4)
1999/00	12.7% (21.6)	40.5% (68.5)	12.4% (21.1)	6.4% (10.9)	23.0% (39.1)	5.1% (8.6)	100% (169.8)
2000/01	8.2% (13.3)	44.4% (72.1)	10.0% (16.3)	4.5% (7.3)	21.3% (34.6)	11.6% (18.9)	100% (162.6)
2001/02	9.6% (9.8)	42.5% (43.2)	7.0 % (7.1)	4.6 % (4.6)	26.8% (27.2)	9.6% (9.7)	100% (101.6)
2002/03	6.01% (8.1)	37.11% (49.8)	10.9% (14.6)	5.9% (7.9)	29.9% (40.1)	10.2% (13.7)	100.0% (134.2)
2003/04*	5.5% (9.3)	37.3% (62.7)	8.4% (14.1)	5.3% (8.9)	34.5% (58.0)	9.0% (15.1)	100.0% (168.1)
2004/05	5.0% (8.2)	37.6% (61.8)	5.8% (9.5)	4.6% (7.60)	39.2% (64.5)	7.7% (12.7)	100% (164.4)
2005/06	5.9% (9.6)	28.3% (45.9)	13.6% (22.0)	6.9% (11.2)	34.0% (55.1)	11.3% (18.3)	100% (162.1)
2006/07	5.9 % (10.6)	29.6 % (53.7)	13.4 % (24.3)	7.6 % (13.8)	32.4 % (58.6)	11.1 % (20.2)	100.0% (181.2)
Average income	(13.0)	(54.0)	(17.0)	(41.0)	(15.0)	(11.0)	(151)

Source: Nepal Rastra Bank, Foreign Exchange Division (1998).

Source: Nepal Rastra Bank –Compiled and Analyzed by Research Unit, Nepal Tourism Board

*Source: Nepal Tourism Statistics 2005, 2006 and 2007--Government of Nepal

Note: The figure within the bracket indicates US\$ in million

Figure 6.6 Foreign Exchange Income by Different Sector of Tourism

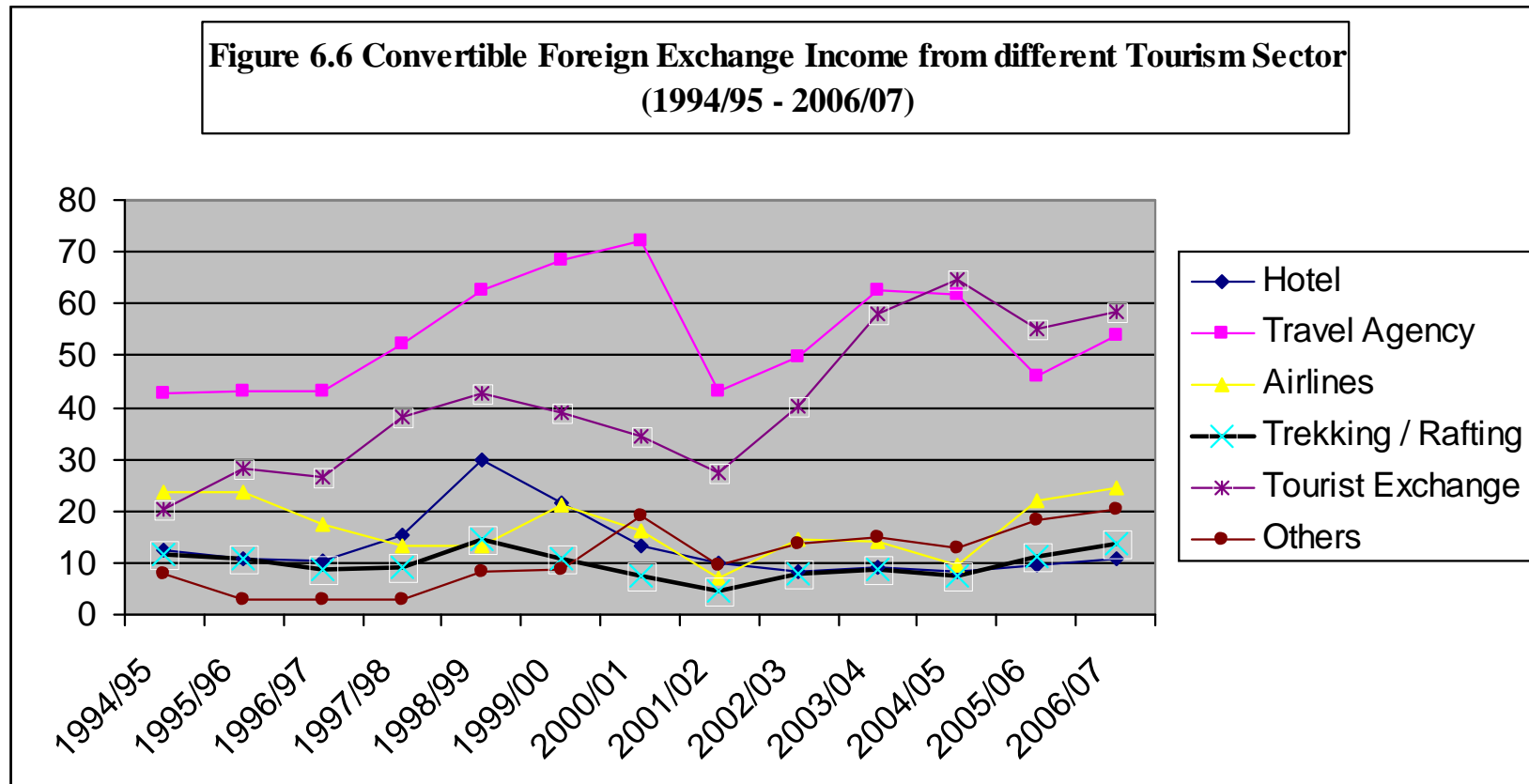


Table **6.21** reveals the convertible foreign exchange earning from different sectors of tourism. Of the total foreign exchange earning from tourism (US\$118.6million), the highest percentage was found to be from travel agency with 36.1 per cent in the year 1994/95 followed by Airlines (20.1%), tourist exchange (17.2%), hotel (10.4%), trekking and rafting (9.6%) and others (6.7%). It was also noticed that the percentage share of travel agency was found to have decreased since 2004/05 and instead of its place, tourist exchange was turned up at the first position. Similarly, since 2003/04 income from hotel was also found to have decreased to one third (5.0%) compared to the income of 1998/99. It was also noticed that during the year 2006/07, the highest income was observed from tourist exchange representing 32.4 per cent followed by travel agency (29.6%), airlines (13.4%), others (11.1%), trekking and rafting (7.6%) and hotel (5.9%).

The table also represents that the average income from travel agency represented the highest US\$54.0 million followed by tourist exchange (US\$41.0 million), airlines(US\$ 17.0 million), trekking and rafting (US\$15.0 million), hotel (US\$ 13.0 million) and others (US\$11.0 million) over the period.

This shows that at present hotel has become the least income generating sector of tourism. As we have known that it was seriously affected by the frequent strikes, Chhakajam, labours strike, and cancellations of booking of hotel rooms at the peak time.

6. 10 Earning from Development of Trade

Tourism has shown to be a strong contributor to the balance of payments, as well as a highly labor-intensive activity that opens up opportunities for the small business providing products and services to the tourism industry.

It serves as a foothold for the development of a market economy where small and medium sized enterprises can expand and flourish (Francesco, 2007). He further adds that tourism is one of the major export sectors of poor countries and a leading source of foreign exchange in 46 of the 49 Least Developed Countries.

According to Holloway (1998:50) in a national context, tourism may have major influence on a country's balance of payments. He claims that international tourists are buying tourist services in another country, and these payments are noted in a country's accounts as "invisible". He takes an example of a British residents going on holiday to Spain will be making an invisible payment to that country which is debit on Britain's balance of payments account and a credit to Spain's balance of payments. Similarly the money spent by an American visitor to Britain is credited to Britain's balance of payments, becoming an invisible receipt for Britain, while it is debited as a payment against the American balance of payments.

Another significant benefit from travel and tourism industry to the national income is that it provides impetus to the development of trade. Development of tourism creates demand for different goods and services which will help to promote sales of carpets and handicrafts, garments, curios, souvenir and other products. Tourists are found to spend considerably in such items. According to

study made in Europe, it is estimated that tourists keep reserve about 33% of their money for on the spot purchases of national products (Negi, 1990:86).

He further adds that on the other hand, the goods sold to the tourists are also a part of export trade and the seller does not have to pay for transportation and insurance. There are certain products which are internally famous and are bought by tourists like, wine of France, Woolen goods of Scotland, silks of Italy and Thailand, watches of Switzerland, Carpet and Woolen goods of Asia etc (Negi, 1990:86)

In Nepal, tourists are found to purchase mainly handicraft items, including garments and carpets and have made these items popular in the international arena. There has been gradual increase in the demand for these products in the international market and it may therefore be deduced that promotion of exports of these products may be attributed the tourism industry.

Table 6.22 Trade Deficit and Travel Earning from (FY 1974/75 – 2006/07)**Rs. In Million**

Year	Trade Deficit	Annual % Change	Travel Receipt	Annual % Change	Travel Receipt as % of Trade Deficit
1974/75	925.0		170.5		18.4
1975/76	812.9	-12.1	209.9	23.1	25.8
1979/80	2403.0	195.6	636.8	203.4	26.5
1984/85	5022.2	109.0	735.4	15.5	14.6
1989/90	13186.6	162.6	3121.2	324.4	23.7
1990/91	15852.4	20.2	3587.6	14.9	22.6
1991/92	18361.4	15.8	5016.9	39.8	27.3
1992/93	21973.5	19.7	5966	18.9	27.2
1993/94	32312.7	47.1	8251.7	38.3	25.5
1994/95	46060.1	42.5	8973.2	8.7	19.5
1995/96	54658.1	18.7	9521.2	6.1	17.4
1996/97	70998.8	29.9	8523	-10.5	12.0
1997/98	61453.9	-13.4	9881.6	15.9	16.1
1998/99	51849.0	-15.6	12167.5	23.1	23.5
1999/00	52255.0	0.8	12073.9	-0.8	23.1
2000/01	56449.5	8.0	11717	-3.0	20.8
2001/02	53358.5	-5.5	8654.3	-26.1	16.2
2002/03	70292.3	31.7	11747.7	35.7	16.7
2003/04	77681.6	10.5	18147.4	54.5	23.4
2004/05	85762.1	10.4	10464	-42.3	12.2
2005/06	110058.4	28.3	9556	-8.7	8.7
2006/07	124550.5	13.2	6176	-35.4	5.0

Source: Economic Survey (1998/99, 2006/07, P.38, 59, 63, 64) Government of Nepal. Ministry of Finance

Table 6.22 indicates the earnings from travel. The table shows that trade deficit was found to have increased from Rs. 925.0 million in 1974/75 to Rs 124550.5 million in 2006/07 with some fluctuation over the years, while the travel receipt was increased from Rs 170.5 million to Rs 6176.0 million during the corresponding years. Similarly, the share of travel receipts to compensate

trade deficit was found to have reached the highest in the year 1991/92 constituting the growth of 27.3 per cent. Since 1992/93, the percentage share of travel receipt in total trade deficit was reported to have decreased gradually up to the year 2006/07 by 5.0 per cent, with some fluctuation over the years. The study shows that though percentage share of travel receipt is small it has helped to compensate trade deficit in Nepal. Nepal will definitely go on raising its import of essential goods such as petroleum products, fertilizers, automobiles and many other essentials that need more hard currencies. In this context, travel receipt would be a good source of convertible currency earning in order to fulfill the demand of imported goods as well as to compensate trade deficit. Thus, tourism as an invisible export that has a greater role to play in the balance of trade of Nepal.

6. 10.1 Revenue from Carpet and Handicraft Export in other Countries other than India

There are major items such as handicrafts, Nepalese paper and paper products, pasmina, pulses, readymade garments, leather goods, silverware and jewelleryes, tanned skins, tea and woolen carpets and others which are exported to other countries and the tourists would like to buy these products.

Nepal earns a considerable amount of foreign exchange from few merchandise export. The major export items are hand-knotted woolen carpets, readymade garments and handicrafts, to third countries other than India. The earnings from export of some of the major items of tourism are presented here under:

Table 6.23 Share of Carpet and Handicrafts Export (excluding India) FY 1979/80-2005/06

(Rs. in Million)

Fiscal Year	Total Export	Export of Carpets to other countries	% Change	% Share of Carpet of Total Export	Export of Handicrafts Goods to other countries	% Change	% Share of Handicraft to Total Export
1979/80	889.6	55.5		6.2	43		4.8
1980/81	1208.7	65	17.12	5.4	100.2	133.02	8.3
1981/82	1189	84	29.23	7.1	12.2	-87.82	1.0
1982/83	1065.2	137.8	64.05	12.9	9.4	-22.95	0.9
1083/84	1303.6	265.4	92.60	20.4	12.6	34.04	1.0
1984/85	2740.6	249.4	-6.03	9.1	12.7	0.79	0.5
1985/86	3038	376.4	50.92	12.4	18.4	44.88	0.6
1986/87	3011.4	627.5	66.71	20.8	32.4	76.09	1.1
1987/88	4114.6	1223.7	95.01	29.7	53.8	66.05	1.3
1988/89	4195.3	1634	33.53	38.9	91.6	70.26	2.2
1989/90	5156.2	2318.5	41.89	45.0	71.1	-22.38	1.4
1990/91	7387.5	3733	61.01	50.5	86.9	22.22	1.2
1991/92	13706.5	7048.1	88.81	51.4	176.5	103.11	1.3
1992/93	17266.5	9594.2	36.12	55.6	84.7	-52.01	0.5
1993/94	19293.4	9534.1	-0.63	49.4	91.5	8.03	0.5
1994/95	17639.2	7718.1	-19.05	43.8	145.4	58.91	0.8
1995/96	19881.1	8163.9	5.78	41.1	81.8	-43.74	0.4
1996/97	22636.5	8880	8.77	39.2	142.1	73.72	0.6
1997/98	27513.5	8485.3	-4.44	30.8	135	-5.00	0.5
1998/99	35676.3	9802	15.52	27.5	173.5	28.52	0.5
1999/00	49822.7	9842.1	0.41	19.8	218.1	25.71	0.4
2000/01	55654.1	8592.3	-12.70	15.4	263.1	20.63	0.5
2001/02	46944.8	6212.5	-27.70	13.2	265.6	0.95	0.6
2002/03	49930.6	5320	-14.37	10.7	396.9	49.44	0.8
2003/04	53910.7	5677.5	6.72	10.5	653.8	64.73	1.2
2004/05	58705.7	5868.7	3.37	10.0	748.9	14.55	1.3
2005/06	61167.1	5838.7	-0.51	9.5	463.8	-38.07	0.8

Source: Economic Survey FY 1998/99, 2005/06 and Nepal and the World 2006 FNCCI Government of Nepal, Ministry of Finance

* Nepal Rastra Bank, Macroeconomic Indicator (2000/01 to 2002/03) Mid-July 2004

**Nepal Rastra Bank, Macro Economic Indicator-(2003/04, 2005/06 and 2006/07)

Nepal is famous for hand-knotted Woolen carpet and Carpet industry is one of the leading exports of Nepal (Agrawal, 2007:124).

The above table **6.23** represents the export of carpet to overseas countries. The table shows that the export of carpet increased tremendously from Rs.55.5 million in FY 1979/80 to Rs.9802.0 million in 1998/99 and the market remained at the peak till 1999/00. Since 2000/01, the export of carpet was found to have decreased up to the year 2005/06 by 0.51 per cent compared to previous year whereas, the percentage share of carpet in total export was recorded highest in the year 1992/93 by 55.6 per cent and thereafter it was noticed to have declined up to the year 2005/06 by 9.5 per cent compared to previous year.

There are certain reasons behind the fall of the market share in the total export. Basically, the competition of Nepal in the world market was with Iran, India, Turkey, China, Pakistan, and Afghanistan. The share of Nepali carpets in the world market was about 7% in recent years, which declined significantly. Besides this, lack of quality standards, use of child labour, poor research and development, poor institutional support and environmental pollutions were the main problems confronting to the rise of this industry (Agrawal, 2007:122). (Tuladhar, 2007:15) the drop of carpet export were the reason of lack of competition with other countries as China, labour dispute, political instability and child labour markets.

Handicraft is one of the cottage industries that help people to earn the livelihood in one hand and established their culture and tradition identity at the international level on the other. The main countries which import handicraft goods made in Nepal are West Germany, Australia, Singapore, Japan, USA, France, Thailand, Netherlands, and Belgium. There is no doubt that the

tourism and handicraft industry are interrelated. Because Nepalese handicraft are based on culture, religions, and indigenous aspect which enable to attract tourists' soul and eye to having or buying these goods and it plays an important role in spreading to countries' culture and arts which have unique and lasting value (Upadhyay, 2007:26).

Nepalese artisans are well- known for hand made products since ancient times. Nepalese handicrafts are renowned for craftsmanship. They consists of wood carving and stone works, silver, bronze and brass art works including gold and silver plated), thankas, paintings, potteries, jewelries, masks and household utensils.

Nepal exports handicrafts to more than fifty countries and major markets were USA, Canada, UK, Germany, France, Netherlands, Italy, Japan and Australia. The value of handicraft showed increasing trend (Agrawal, 2007:140).

The above table also exhibits the revenue from the export of handicraft. The revenue from handicraft was increased from Rs.12.7 million in 1984/85 to Rs.653.8. million in 2003/04, representing an increase of 64.74 per cent compared to the previous year 2002/03. On the contrary, there was a marked improvement in the earning from handicraft by 14.6 per cent in 2004/05 and soon after it began to fall to Rs. 463.8 million in 2005/06 by 38.1 per cent compared to the previous year. Regarding the share of contribution of handicrafts to total export, it was recorded 1.3 per cent in 2004/05, which was very nominal.

6. 10. 2 Revenue from Readymade Garments

Table 6.24 Export of Garment to Overseas Countries (FY 1979/80 to 2005/06)

Rs. in Million

Fiscal Year	Total Export	Export of Readymade Garments	Annual % Change	Share of Garment to total Export	Gross Domestic Product (Nominal Current)	Annual Percent (%) Change of GDP	Income from Tourist Expenditure	Total Trade Volume	Non Tax Revenue
1979/80	889.6	7.8		0.9	23351		518.8	4630.6	351.2
1980/81	1612.7	13.0	66.7	0.8	27307	14.5	616.8	6036.9	383.5
1981/82	1496	13.8	6.2	0.9	30988	11.9	493.8	6421.8	468.2
1982/83	1135.8	10.0	-27.5	0.9	33761	8.2	491.1	7446	420.5
1983/84	1709.9	20.5	105.0	1.2	39390	14.3	585.7	8218.2	672.3
1984/85	2740	470.9	2197.1	17.2	44441	11.4	724.9	10482.7	765.6
1985/86	3078	803.7	70.7	26.1	53215	16.5	863.6	12419.2	985.2
1986/87	3011.4	611.2	-24.0	20.3	61140	13.0	1208.1	13897.6	1602.7
1987/88	4114.6	916.6	50.0	22.3	73170	16.4	1415.1	17991.2	1597.6
1988/89	4195.3	1117.8	22.0	26.6	85830	14.8	1856.5	20459	1489.6
1989/90	5156.2	1399.2	25.2	27.1	99702	13.9	1541.7	23481.1	2003.6
1990/91	7387.5	1350.3	-3.5	18.3	116128	14.1	1993.8	30614	2553.5
1991/92	13706.5	3254.5	141.0	23.7	144931	19.9	3090.7	45646.5	3637.1
1992/93	17266.5	3930.3	20.8	22.8	165262	12.3	2615.1	56472.1	3485.9
1993/94	19293.4	5943.2	51.2	30.8	191596	13.7	4819.7	70864.2	4209.4
1994/95	17639.2	5139.3	-13.5	29.1	209976	8.8	5896.2	81318.7	4945.1
1995/96	19881.1	5374.8	4.6	27.0	239388	12.3	6605.9	94335.6	6225.1
1996/97	22636.5	5955.0	10.8	26.3	269570	11.2	6158.8	116189.9	5949.2
1997/98	27513.5	7015.4	17.8	25.5	289798	7.0	7850.9	116515.5	6998.1
1998/99	35676.3	9701.9	38.3	27.2	330018	12.2	11584.2	123201.6	8498.1
1999/00	49822.7	13942.4	43.7	28.0	366251	9.9	11691.0	158327.6	9741.6
2000/01	55654.1	13124.7	-5.9	23.6	410789	10.8	11969.2	171341.3	10028.8
2001/02	46944.8	7833.0	-40.3	16.7	422301	2.7	7798.4	154333.8	11115
2002/03	49930.6	11890.1	51.8	23.8	454935	7.2	10369.4	174282.7	13642.7
2003/04	53910.7	9550.0	-19.7	17.7	500699	9.1	12337.4	190187.8	14155.3
2004/05	58705.7	6184.6	-35.2	10.5	548485	8.7	11814.8	208179.9	16018
2005/06	61167.1	6204.1	03.2	10.14	646469	15.2	11710.9	236275.1	14855.1

Source: Economic Survey 2005/06, Government of Nepal, Ministry of Finance

Ready-made garment industry emerged in Nepal during 1970s within a short span of time and it became one of the leading export industries. USA is the number one market for the Nepalese garment exports. It accounts for about 80% of the total garment export. Other markets are Canada, Germany, UK and France (Agrawal, 2007).

Garment industry is also one of the support industries for tourism development. It is also one of the parts of tourism product. The contribution of garment industries for the development of Nepalese economy has been significant. Table 6.24 highlights the export of garments to overseas countries. It was noticed that the export of garments from Nepal was found to have increased gradually from 7.8 million in 1979/80 to Rs. 5943.2 million in 1993/94. This trend was continued till 1999/00, which reached Rs. 13942.4 million constituting the growth of 43.7 per cent. Since 2000/01 owing to the high competition with many countries, high cost of production, use of outdated technology, over dependence on foreign labourers, unsupportive government policies and lack of research and development, it was reported to have declined gradually up to the year 2004/05 excluding 2002/03. However, there was an improvement in the export of garment by 3.2 per cent in 2005/06 compared to previous year.

In terms of contribution of readymade garments to the total export, it was noted to have occupied highest by 30.8 % in 1993/94. Since 1994/95 it was declined gradually to 10.14% in 2005/06. As this is one of the important industries for the economic development of the country, therefore attention has to be given by the concerned bodies towards the improvement of this industry. Instead of depending upon the old markets, the concerned party has to develop the new market, encourage cost control measure to make garment industry competitive. Government has to work seriously in developing garment industry and extend favorable policy and administrative support and labour dispute should be resolved (Tuladhar, 2007:15).

6. 11 Regression Analysis:

Effects of Tourism on Economic Development

It is described to examine the direct relationship between economic development and foreign exchange earning from tourist expenditure (TEX). Table **6.25** is designed to summarize the result of simple linear regression analysis with foreign exchange earning from tourist expenditure as an explanatory variable and dependent variables such as total export trade (TET), total tax revenue (TTR), total trade volume (TTV) and gross domestic product nominal (GDPN).

The basic starting point is the examination of a direct relationship between the development indices and the amount of tourist expenditure. The following summarizes the result of the statistical endeavor, one that was conducted to check for the effect of earning from tourist expenditure on various development indices of the economy.

Regression Analysis

Table 6.25 Effects of Foreign Exchange Earning from Tourist Expenditure on Economic Development (Simple Linear Model – 1979/80 – 2005/06)

Equation S. N	Coefficients			Statistics		
	Dependent Variable	Constant	Independent Variable TEX	R ²	F	DW
1	TET	-560.07 -0.32	5.675 * 7.88	0.9378	180.80	0.97897
2	TXR	1132.08 0.49	5.684* 6.03	0.9058	115.37	0.75807
3	TTV	1385.147 0.22	18.069 * 7.01	0.9334	168.26	1.1325
4	GDPN	27511.32 1.45	45.8849 * 5.91	0.9022	110.66	0.8470

Note:

**Significant at 1 per cent level*

***Significant at 5 per cent level*

**** Significant at 10 per cent level*

No of Observation = 27 Year (1979-80 to 2005-06)

TEX= Tourist Expenditure

TET= Total Export Trade, TXR= Total Tax Revenue,

TTV = Total Trade Volume, GDPN= Gross Domestic Product (Nominal)

Table 6.25 is designed to summarize the result of the simple linear regression analysis with total tourist expenditure on tourism in Nepal as the explanatory variable and development indices such as Total export Trade (TET), Total Tax Revenue (TXR), Total Trade Volume (TTV), and Gross Domestic Product Nominal (GDPN) as the dependent variables.

The t value of β_1 coefficient are 7.88, 6.03, 7.01 and 5.91 in equation number 1,2,3, and 4, which are significant at 1 per cent level of significance against the table value 2.473. This indicates that an increase in tourist expenditure by 1per cent leads to an increase of TET by 5.67, per cent, TXR by 5.68 per cent, TTV by 18.07 per cent and GDPN by 45.88 per cent respectively.

The R^2 which is thought as coefficient of determination estimated as 0.9378, 0.9058, 0.9334, and 0.9022 in the equation number 1, 2, 3, and 4 respectively. It means, the explanatory power of the model is 93.78 per cent in TET, 90.58 per cent in TXR, 93.34 per cent in TTV and 90.22 per cent in GDPN.

The computed value of $F_{(2 \quad 24)}$ statistic are 180.80,115.37,168.26 and 110.66 in equation number 1, 2, 3, and 4respectively, which are significant at 1 per cent level of significance against the table value 5.61 indicating existence of regression. The DW statistics shows the presence of autocorrelation. So the model was developed to Cochran – Orcutt Two Step Model.

Table 6:26 Regression Analysis Effects of Tourist Expenditure on Economic Development (Simple Linear Cochran Orcutt- Two Step - 1979/80 – 2005/06)

The relationship between total tourist expenditure and development indices are shown below under the Cochran Orcutt regression model.

Equation	Coefficients			Statistics		
	Dependent variable	Constant	Independent Variable TEX	R ²	F	DW
1	TET	168.05* 1.09	2.59272* 3.87	0.2208	3.40	1.3280
2	TXR	-10674.23 -3.22	0.77895 * 3.24	0.3213	5.45	1.31180
3	TTV	-484760.6 -3.41	3.795097* 2.08	0.1629	2.24	1.81005
4	GDPN	-21880.09 -1.05	3.286224* 1.61	0.1257	1.65	1.33635

Note:

**Significant at 1 per cent level*

*** Significant at 5 per cent level*

****Significant at 10 per cent level*

No of Observation = 27 Year (1979-80 to 2005-06)

TEX = Tourist Expenditure

TET= Total Export Trade, TXR= Total Tax Revenue,

TTV = Total Trade Volume, GDPN= Gross Domestic Product Nominal.

The t-value of β^1 coefficient (TEX) found in equation number 1, 2, 3, and 4 shows significant at 1 per cent level against the table value 2.473. This indicates that an increase in tourist expenditure by 1 per cent would lead to increase of TET by 2.59 per cent, TXR by 0.78 per cent, TTV by 3.795 and GDPN by 3.29 per cent respectively.

R^2 which is thought as coefficient of determination estimated as 0.2208, 0.3213, 0.1629, and 0.1257 in equation number of 1, 2, 3, and 4 respectively. It means the explanatory power of model are 22.08 per cent in TET, 32.13 per cent in TXR, 16.29 per cent in TTV and 12.57 per cent in GDPN respectively. It does not show a strong relationship between the tourist expenditure on development indices.

The computed value of $F_{(2, 24)}$ which is significant at 1 per cent level show greater than table value 5.61. The DW statistics show positive autocorrelation. Due to auto correlation as shown by the value of DW, the model was improved using Cochran Orcutt iterative procedure.

The DW statistics seems to be a problem indicating auto correlation. In this regard, the regressions are further shown to the log Cochran Orcutt model.

Table 6.27 Regression Analysis

Effects of Foreign Exchange Earning from Tourist Expenditure on Economic Development (Simple Log Linear Model – 1979/80 – 2005/06)

Keeping the above empirical findings, it has been felt necessary to examine some of the commonly used regression models in log form. The results of the subsequent regressions are given in table below.

Equation	Coefficients			Statistics		
	Dependent Variable Log	Constant	Independent Variable Log TEX	R ²	F	DW
1	TET	0.000324* - 0.000	1.09297* 5.97	0.9728	429.68	1.2453
2	TXR	0.77526* 6.27	0.968003* 6.55	0.9751	470.50	1.04757
3	TTV	0.827852 6.73	0.923423 * 6.29	0.9799	585.17	1.03056
4	GDPN	2.13827 17.79	0.800310* 5.58	9701	389.55	9525552

Note:

- *significant at 1 per cent level*
- ** significant at 5 per cent level*
- *** significant at 10 per cent level*

No of Observation = 27 Year= (1979-80 to 2005-06)
TEX =Tourist expenditure
TET= Total Export Trade, TXR= Total Tax Revenue,
TTV = Total Trade Volume, GDPN= Gross Domestic Product Nominal price

The model was developed in log linear form to examine the relationship between total export trade (TET), total tax revenue (TXR), total trade

volume(TTV), and Gross Domestic Product Nominal (GDPN) as dependent variables and total tourist expenditure(TEX) as independent variable. The above table shows that the t value of β_1 coefficient are 5.97, 6.55, 6.29 and 5.58, in equation number 1, 2, 3, and 4 of dependent variables which are all significant at 1 per cent level of significance against the table value 2.473. This indicates that an increase in 1 per cent tourist expenditure (log TEXP) leads to an increase in total export trade (TET) by 1.09 per cent, TRX by 0.97 per cent, TTV by 0.92 per cent and GDPN by 0.800 per cent respectively. This shows a positive relationship between the log dependent variables as shown equations 1, 2, 3, and 4, and in log dependent variable (log TEX).

The R^2 which is thought as coefficient of determination estimated as 0.9728, 0.9751, 0.9799, and 0.9701 in equation number 1, 2, 3, and 4 respectively. It means the explanatory power of the model are 97.28 per cent, in log TET, 97.51 per cent in log TXR, 97.99 per cent in log TTV, and 97.01 per cent in log GDPN respectively. This shows an explanatory power of models is high.

The computed value of $F_{(2 \ 24)}$ are all found significant at 1 per cent level of significance shows a computed value is greater than the table value 5.61.

While the DW statistics shows positive autocorrelation. Due to the presence of autocorrelation as shown by the value of DW, the model was improved using Cochran-Orcutt iterative procedure. In this regard, the regressions are further shown to the log linear Cochran- Orcutt Two Step model.

Table 6.28 Regression Analysis

Effects of Tourist Expenditure on Economic Development (Log Linear - Cochran- Orcutt -Two Step – 1979/80 - 2005/06)

In the second step of Cochran Orcutt model log linear analysis, the relationship between log TEX independent variable and log TET, log TXR, log TTV, and log GDPN dependent variables show a positive relationship.

Equation	Coefficient			Statistics		
	S.N	Dependent Variable Log	Constant	Independent Variable TEX Log	R ²	F
1	TET	0.041659 0.843	1.073577* 5.33	0.9354	173.87	1.78104
2	TXR	0.78732 * 4.28	0.8544818* 5.31	0.9332	165.55	1.769766
3	TTV	0.832865* 5.36	0.893582* 5.54	0.9592	281.99	1.672445
4	GDPN	2.177514 11.3	0.6976818* 4.50	0.9503	229.67	1.621544

Note:

**significant at 1 per cent level*

*** significant at 5 per cent level*

**** significant at 10 per cent level*

No of Observation = 27 Year (1979-80 to 2005-06)

TEX = Tourist Expenditure

TET=Total Export Trade, TXR= Total Tax Revenue,

TTV = Total Trade Volume, GDPN= Gross Domestic Product Nominal

The t values for β^1 coefficients of equation no1, 2, 3, and 4 are all significant at I per cent level of significance against the table values 2.473. This indicates that one per cent increase in tourist expenditure would lead to increase in Log

TET by 1.073 per cent, log TXR by 0.845 per cent, log TTV by 0.894 per cent and log GDPN by 0.69 per cent respectively.

The R^2 values estimated at 0.9354, 0.9332, 0.9592 and 0.9503 in equation number 1, 2, 3, and 4. This shows that variation in total tourist expenditure can be explained to the extent of 93.54 per cent in TET, 93.32 per cent in log TXR, 95.92 per cent in log TTV, and 95.03 per cent in log GDPN. It means the explanatory power of model is very high. The computed value of $F_{(2, 24)}$ shows significance at 1 per cent level of significance against the table value 5.61 and DW statistics does not show positive autocorrelation.

To sum up total tourist expenditure in Nepal has a positive impact on total export trade, total tax revenue, total trade volume and gross domestic product and it also has a significant impact in economic growth of the country.

Test of Hypothesis

Hypothesis was tested using appropriate statistical tools as specified in the methodology. It was expected that income from tourist expenditure would affect the total export trade (TET), Total tax revenue (TXR), total trade volume (TTV) and gross domestic product in nominal (GDPN).

H_0 – There is no significant relationship between log TEXP independent variable with log TET (Total Export Trade), log TXR (Total Tax Revenue) and TTV (Total Trade Volume) and GDPN (gross domestic product nominal), dependent variable.

H_1 – There is a significant relationship between independent variable (TEXP), with log TEX (total tourist expenditure), log TET (Total Export Trade), log TXR (Total Tax Revenue), log TRV (Total Trade Volume) and log GDPN (Gross Domestic Product Nominal). The t-value of $\beta_1 + \beta_2 + \beta_3 + \beta_4$ coefficient are all significant at one per cent level of significance against the table value of 2.473. This indicates that one per cent increase in total expenditure leads to an increase in (TET) total export trade by 1.073 per cent, TXR by 0.854 per cent, TTV by 0.894 percent and GDPN by 0.70 per cent.

The R^2 value estimated at 0.9354, 0.9332, 0.9592 and 0.9503 in equation number 1, 2, 3, and 4 showed that variation in extent of 93.54 per cent in log TET 93.32 per cent in log TXR, 95.92 per cent in log TTV, and 95.03 per cent in log GDPN. It means the explanatory power of model is very high.

The computed value of F (2, 24) shows significance at one percent level of significance, and DW statistics also do not show positive autocorrelation. To sum up, the total tourist expenditure in Nepal has significant positive impact on total export trade (TET), total tax revenue (TXR), total trade volume (TTV) and gross domestic product nominal (GDPN). Therefore the tourist expenditure has a significant impact on economic growth.

6. 12 Contribution of Tourism

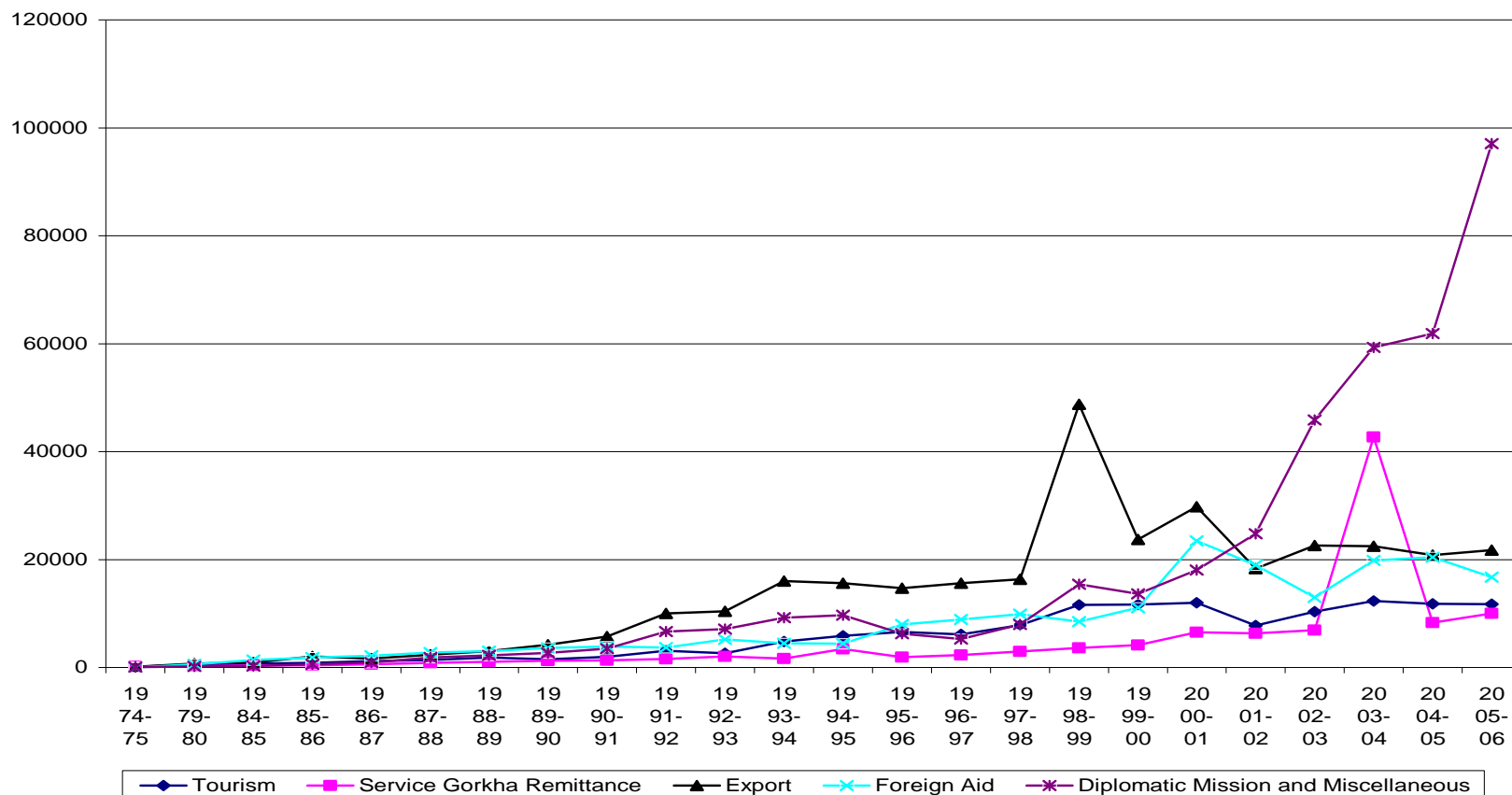
Table 6.29 Contribution of Tourism Earning in Total Convertible Foreign Exchange Earning of Nepal (FY 1974/75 - 2005/06)

Rs. in Million

Fiscal Year	Tourism	% Share	Service Gorkha Remittance	% Share	Export	% Share	Foreign Aid	% Share	Diplomatic Mission and Miscellaneous	% Share	Total
1974/75	120.7	21.4	178.4	31.6	151.4	26.8	26.5	4.7	87.7	15.5	564.7
1979/80	518.8	21.9	292.4	12.3	717.8	30.3	623.4	26.3	218.7	9.2	2371.1
1984/85	724.9	19.5	396.6	10.7	916.7	24.6	1402.4	37.7	280.1	7.5	3720.7
1989/90	1541.7	11.5	1236.1	9.3	4239.9	31.7	3645.9	27.3	2699.1	20.2	13362.7
1994/95	5896.2	15.1	3447.5	8.8	15624.5	40.0	4419.3	11.3	9715.9	24.8	39103.4
1999/00	11691.0	18.2	4145.5	6.5	23724.4	36.9	11072.4	17.2	13616.7	21.2	64250.0
2000/01	11969.2	13.3	6551.3	7.3	29789.7	33.2	23459.0	26.1	18054.0	20.1	89823.2
2001/02	7798.4	10.2	6324.3	8.3	18311.0	24.0	18968.3	24.9	24751.4	32.5	76153.4
2002/03	10369.4	10.5	6895.5	7.0	22578.9	22.9	12988.2	13.2	45850.5	46.5	98682.5
2003/04	12337.4	8.0	6710.3	4.3	22489.6	14.3	19823.0	12.7	59283.0	38.0	156645.7
2004/05	11814.8	9.6	8297.0	6.7	20851.9	17.0	20397.5	16.5	61907.2	50.2	123268.4
2005/06	11710.9	7.4	10046.1	6.4	21738.5	13.8	16713.5	10.6	97088.5	62.0	157297.5

Source: Economic Survey –FY 2005/06, 2006/07, 2007/08, Government of Nepal, Ministry of Finance.

Figure 6.7 Contribution of Tourism Earning in Total Convertible Foreign Exchange Earning (2005/06)



The table **6.29** represents the contribution of tourism to the total convertible foreign currency earning. Of the total convertible foreign exchange earnings, the highest percentage was reported to have contributed by Gorkha remittance with 31.6 percent in the year 1974/75 followed by export (26.8%), tourism (21.4%), diplomatic mission and miscellaneous (15.5%) and foreign aid (4.7%) respectively. It was also noticed that in the year 1979/80 the contribution made by export was reported to be the highest with 30.3 per cent followed by foreign aid (26.3%), tourism (21.9%), Gorkha remittance (12.3%), and diplomatic mission and miscellaneous (9.2%) respectively. The percentage share of tourism in the total currency earning was observed highest by 23.4 per cent, considered to be the third largest source of income in 1980/81. Since 1983/84, (as shown in Annex-J) the percentage share of tourism in the total foreign currency was found to have decreased gradually to 7.4 per cent in the year 2005/06. To sum up, though the share of foreign currency from other sources (diplomatic missions & miscellaneous, Gorkha remittance and export) was reported to have increased comparatively, the percentage share from tourism can be said that tourism has also been playing a significant role for the country's economy.

Please refer to Annex -I

6. 13 Employment Generation from Tourism in Nepal

Holloway (1998:49) has expressed that tourism is also important to an economy because it generates employment and he cites an example of some tourism dependent economies, such as the Caribbean, as much as 25 per cent of all jobs are associated with the tourism industry. Jobs will be created in travel agencies, tour operators and other intermediaries who supply tourist services in

both the generating and the destination areas. Transport companies such as airlines will also employ staff to serve tourists in both areas. But bulk of employment will be in the destination country with jobs ranging from hotel managers to deckchair attendants, from excursion booking clerk to cleaners employed in the stately homes that are open to others.

Shackly has emphasized that tourism plays an important role in the Nepalese economy, particularly in terms of foreign exchange earnings and employment generation. However, reliable data on the number of persons employed in tourism related activities are not available. It is believed that tourism is the major source of employment in both urban and rural areas (Shackley, 1994).

Tourism in the context of Nepal emerges as one of the major economic sectors which unlike the other sectors, has managed to sustain itself. It has covered more than half of century and therefore has accomplished a lot of maturity by now. Tourism has contributed to the overall growth of the economy therefore any measures that tend to negatively affect the tourism sector will affect the performance of the entire economy of the country.

According to Chand (2000: 222) the private sector which is supposed to provide the battery for generating employment is stunted by several factors such as access to resources, lack of risk taking aptitude, supportive market economy and political instability of the country. If this trend continues the economy will further deteriorate creating greater problems in different guises.

He further adds that in such a situation tourism can come to its rescue. At the moment, the tourism sector inclusive of hotels, restaurants, lodges, resorts, trekking, mountaineering, travel trade, wild life safaris, rafting and private airlines etc are said to be providing employment to over 200000 people.

Chand counts that there were around 706 tourist hotels with 14,214 rooms and 27,612 beds in 1997. Taking 1:2 (one room is equal to two men) is to managing ratio of these starred category hotel alone would be providing direct employment to over 28428 people (Chand, 2000:223).

Direct and Indirect Employment in Tourism Sector

Table 6.30 Direct Employment in Tourism Sector (FY 1986/87)

	Male	Female	Total	% Share	National	Foreigner
Hotel	5102	814	5916	70.1	5815	101
Traveling Agencies	1413	131	1544	18.3	1520	24
Trekking	947	31	978	11.6	974	4

Agencies						
Total	7462	976	8438	100.0	8309	129

Source: Nepal Rastra Bank (1989), "Income and Employment Generation from Tourism in Nepal".

Indirect Employment in Tourism Sector

Table 6. 31 Indirect Employment in Tourism Sector (FY 1986-87)

	Male	Female	Total	% share	National	Foreigner
Airlines	2510	228	2738	96.0	2707	31
Cargo Agencies	108	6	114	4.0	114	
Total	2618	234	2852	100.0	2821	31

Source: Nepal Rastra Bank (1989), "Income and Employment Generation from Tourism in Nepal".

According to a survey conducted by Nepal Rastra Bank (1989:202-142) the table **6.30** presents that about 8,438 people were directly employed in the tourism sector in 1986/87, including 70.1% in hotels followed by travel agencies (18.3%) and trekking agencies (11.6%). Among the total number of employees, 8,309 were Nepalese and the rest 129 were foreigners. Similarly, table **6.31** presents the number of indirect employment in the tourism sector which accounted for 2,852, in 1986/87 of which 2,821 were national and 31 were foreigners.

Table 6. 32 Employment in Tourism Industry in the year 1998

Sub Sector	Number of Enterprises	Estimated Employment	Percent
1.Accommodation	719	88500	72.1
a. Hotel/Resort	106	60000	
b. Lodge/Camp	25	4000	
c. Others	490	24500	
2.Ground Operators	983	11655	9.5
a. Travel Agents	549	5490	
b. Trekking	369	600	
Agents	60	30	
c. River Rafting	3		
d. Conference			
3. Transport	72	4940	4.0
a. Airlines	62	4840	
b. Car/Coach	10	100	
4. Restaurant	161	6050	4.9

5. Other Services	5	11600	9.5
a. Casino		1500	
b. Handicrafts		3000	
c. Carpets		2200	
d. Garments		2200	
e. Traders		1100	
f. Supplies		1600	
Total		122745	100

Source: Shrestha (2000: 142)

The table **6.32** shows the direct employment in tourism which was estimated at about 122745 in 1998. This means 100 tourists generate 29 jobs in Nepal relative to 22 in Sri Lanka. Indirect employment could be much higher due to multiplier effects of tourism. Considering the underdeveloped state of support industry, indirect employment is comparatively low. Nepal Rastra Bank Study 1989 showed highest percentage of direct employment in hotel (52%) and lowest in trekking (8.8%). Shrestha adds that investment to generate one employment in hotel seemed 4 times higher than in trekking and one hotel room generated 4 jobs in average (Shrestha, 2000:142).

6. 14 Employment in Expedition and Mountaineering

Mountaineering expedition is also helping the nation by creating employment to a large number of people of various categories from porter to guides. As we all know, most of the Nepalese mountains are not linked with surface transportation but mountaineering of Nepal needs equipment, food, and other logistic supports in a huge quantity and by virtue of its nature it requires many people having different skills. Specially, it needs local and high altitude porters, trekking guides, mountain guides, sardar, mail runner and the like (Gurung, 2006:126).

Table 6.33 Person Employed in Expedition and Mountaineering (1992- 2007)

Year	No of employment	% change	Total no. of Mountaineers	% Change
1992	8261	-	929	-
1993	5423	34.4	730	-21.4
1994	5236	-3.4	696	-4.7
1995	5123	-2.2	624	10.3
1996	4924	-3.9	851	36.4
1997	7003	42.2	861	1.2
1998	6942	-0.9	974	13.1
1999	9690	39.6	857	-12.0
2000	11587	19.6	773	-9.8
2001	6203	-46.5	836	8.2

2002	10599	70.9	913	9.2
2003	14838	40.0	1080	18.3
2004	9362	-36.9	1042	-3.5
2005	636	-93.2	940	-9.8
2006	4344	583.0	986	4.9
2007	4823	11.03	1128	14.40

Source: Nepal Tourism Statistics 2007, MOCTCA

Mountaineering has been playing a significant role for the employment of the people. Most of the tourists of the world come to Nepal for the purpose of trekking and mountaineering during their holiday. As a result, this sector has been providing employment to the people of different level. It is obvious that despite the lack of experienced and trained trekking guide, unavailability of aircraft for mountain flight, the number of mountaineers have fallen down from 929 in 1992 to 851 in 1996. However, in 1997 the total number of mountaineers had increased to 861 constituting an increase of employment by 42.2% compared to the previous year 1996. The above table **6.33** also shows that there was a gradual increase in the total number of mountaineers from 773 in 2000 to 1128 in 2007 with a compound growth of 45.92 per cent. While the total number of

employment in expedition and mountaineering had decreased by 58.4 per cent. The fall in employment may be due to the fall in the number of mountaineers. It was since 2000 to 2006 except in 2003 and 2004, due to the unstable political condition of the country, there was a gradual decrease in the number of mountaineers which indirectly led to the decrease in the number of employment. But we hope that with the spread of positive message of the country the number of mountaineers will rise and there by employment opportunity.

6. 14. 1 Employment in Department of National Park/Wildlife Reserve

National Parks, Wildlife Reserve and Elephant Camps are regarded as the valuable tourism product of Nepal which the nature has gifted to us. These are the main sources of income and employment of Nepal. As they are the valuable tourism products of the country, the government has to conserve, maintain and develop for the promotion of tourism.

Table 6.34 Status of Staff of DNPWC/Parks and Reserves 2004/05 and 2006/07

S. No.	Parks / Reserve Office	2004/05			2006/07		
		Gazetted	Non-Gazetted	Total	Gazetted	Non-Gazetted	Total
1	Department of NP and WR	14	27	41	14	27	41
2	Chitwan National Park	6	135	141	7	260	267
3	Bardia National Park	3	89	92	3	124	127
4	Sagarmatha National Park	1	34	35	1	37	38
5	Langtang National Park	2	71	73	2	71	73
6	Rara National Park	1	26	27	1	27	28
7	Shey-phoksundo National Park	1	42	43	1	40	41
8	Khaptad National Park	1	30	31	1	30	31
9	Makalu National Park	5	53	58	5	58	63
10	Shivapuri National Park	4	51	55	4	51	55
11	Shuklaphanta National Park	2	47	49	2	75	77
12	Parsa National Park	2	41	43	2	73	75
13	Koshitappu Wildlife Reserve	1	27	28	1	60	61
14	Dhorpatan Hunting Reserve	1	31	32	1	31	32
15	Royal Hunting Office	1	159	160	1	159	160
	Total	45	863	908	46	1123	1169

Elephant Camp (Hatisar)

1	Elephant Breeding Centre, Chitwan	1	62	63	1	62	63
2	Chitwan Hattisar, Chitwan	0	66	66	0	66	66
3	Bardia Hittisar, Bardia	0	33	33	0	33	33
4	Kanchanpur Hattisar, Kanchanpur	0	24	24	0	24	24
5	Birgunj Hattisar, Parsa	0	32	32	0	32	32
6	Biratnagar Hattisar, Sunsari	0	33	33	0	33	33
	Total	1	250	251	1	250	251
	Grand Total	46	1113	1159	47	1173	1420

Source: Annual Report 2004/05 and 2006/07, Ministry of Forest and Soil Conservation Department of National Parks and Wildlife Conservation

The table 6.34 represents the total numbers of staff working in DNPWC/ Park including Gazetted and Non-Gazetted. The total number of staff was reported to have increased from 908 in 2004/05, to 1169 in 2006/07, while the total staff working at Elephant Camp (Hattisar) was reported to 251 (including Gazetted and Non-Gazetted) in 2004/05 and there was no change in their number

in 2006/07. However, altogether, the number of skilled, semi skilled and non skilled manpower serving in different posts have reached 1,159 in 2004/05, which rose to 1,420 in 2006/07.

6.15 Employment in Hotel Industry

The concept of hotel and tourism industry is synonymous with each other and so both play a significant role in the economic development of Nepal. If the former brings clients from the different corners of the world, the latter provides shelter, food, and recreation to them. Furthermore it is the hotel industry which earns foreign exchanges from tourists and provides employment opportunities to the people having different kinds of skill. Hence, it is tourism and hotel industries, which can improve the well being of all the Nepalese to certain extent. Hence, hotel industry is the part and parcel of the tourism development (Sharma, 1985).

It is almost impossible to show the seasonal and indirect employment of tourism in hotel industry. Employment of guides, housekeeping and cooking, catering staffs, cultural groups (musician, singer, dancer etc.) and other helper are seasonal and depends upon the number of tourist arrivals.

Table 6. 35 Employment in Star and Non – Star Hotels

S.N	Classification of Hotels	No. of Hotels	No. of Employees	Percentage (%)
1	Star	86	6460	35.2

2	Non – Star (Including Lodges)	3548	10032	54.7
3	Resorts	161	1855	10.1
	Total	3795	18347	100 %

Source: Survey of Hotels and Lodges of Nepal 2003/04 then HMG

National Planning Commission Secretariat, Centre Bureau of Statistics People engaged in Star and Non – Star Hotels

According to Survey done in FY 2003/04 – by Central Bureau of Statistics – the table **6.35** reveals that there were total 3795 (Star, Non – Star hotels with Lodge and Resorts) hotels giving employment. The table also reveals that, of the total employee 18374, about 6460 people were employed in all Star Hotel and 10032 persons were employed in Non –Star hotels and the rest 1855 were employed in Resorts establishment of Nepal. The survey reveals that the percentage of employee engaged in Star hotel represent 35.2% (per cent) followed by Non – Star by 54.7% (per cent) and Resorts by 10.1% (per cent). However, the employment rate in proportionate of the number of star hotels is higher than in the non -star hotels.

Table 6. 36 Number of Person Engaged in Star Hotels (2003/04)

S.N	Classification of Hotels	No. of Hotels	No of person Engaged	Percentage
1	Star Hotels	86	6,572	24.5
2	Non – Star Hotels	3,548	18,128	67.5
3	Resorts	161	2,147	8.0
	Total	3,795	26,847	100 %

Source: Survey of Hotels and Lodges Nepal 2003/04 then HMG.

National Planning Commission Secretariat Central Bureau of Statistics

Similarly, the above table **6.36** shows that the total number of people (26,847) engaged in star, non- star and resort establishment about 6572 or 24.5% (percent) were engaged in star hotels followed by non- star 18128 or 67.5% (percent) and resort establishment by 2147 or 8% (percent). The above table shows that though the number of Star Hotels (86) is lesser than the non – star hotels (3548), the proportionate rate of engagement of people (including properties and others) are higher than non – star hotels and resorts. This indicates star hotels provide more employment opportunities to the people.

Shrestha (2007:15), chairman of HAN, expresses his view in an interview with HTTJ that statistics reveal that the income generated from one tourist supports nine people. So, when tourism is hampered, the entire economy suffers and so does the socio-economic condition of the country. In order to revive the industry, he claims that it is necessary to create awareness among the people in the trade and to seek help from the government to develop the infrastructure and keep up the image of the country. He suggests that the Government should declare tourism as national industry.

6.16 Conclusion

Tourism is an economic activity; it provides income and employment to the people of various kinds. Regarding the status of Nepal's position in terms of tourist arrival, it represented 0.06 per cent of the world in 2007, while the share of receipts represented 0.03 per cent during the corresponding year.

Similarly, the status of Nepal in Asia and Pacific receipts represented 0.19 per cent in 2000, to 0.12 per cent in 2007. Likewise, the position of Nepal among the selected South Asian countries represented the fifth position in 2006 in terms of tourist arrival, as well as tourism receipts. This shows that Nepal earns a meager proportion of tourists as well as receipts compared to the world, and other countries i.e. Asia and Pacific and the SAARC countries. Though it has immense tourism potentialities it has not been successful in marketing adequately.

The growth of foreign exchange earnings is dependent on the number of tourist arrival as well as the average length of stay and per capita income. It is also widely considered that the percentage share of GDP from tourism which peaked up 4.1 per cent during 1994/95 but from 1995/96 it remained stable up to the year 1999/2000. After 2000/01 it gradually declined and reached 1.4 per cent in 2006/07. However, the revenue from tourism fees and national park had increased during the year 2006/07 by 43.9 and 46.4 per cent compared to previous year, similarly royalty from mountaineering team and Casino had also increased by 16.6 and 65.8 per cent in 2007 compared to the previous year.

Regarding the convertible foreign exchange earnings from different sector of tourism, the income represented the highest from tourist exchange followed by travel agencies, airlines, trekking and mountaineering and hotels. Tourism is one of the major export sectors of poor countries and a leading source of foreign exchange in 46 out of 49 least developed countries. The share of tourism earning to compensate trade deficit was recorded the highest in the year 1991/92 by 27.3 per cent, while it declined to 8.7 per cent in the year 2005/06. The share of carpet and handicraft in the total export had also declined by 9.5 and 10.14 per cent during the year 2005/06 compared to the previous year. It was also noticed that the contribution of readymade garments to the total export also showed negative growth by 10.14 per cent in 2005/06 compared to the previous year.

Regarding the survey conducted by NRB (1989), about 8438 people were directly employed in tourism which included 70.10% in hotels followed by travel agencies (18.3%) and trekking agencies (11.6%). Similarly, Shrestha (2000) described that direct employment in tourism was estimated at about 122,745 in 1998. The survey conducted by CBS -2003/04 revealed that there were about 3,795 star and non star hotels including lodges and resorts which provided employment to about 18,374 people and among them 6,460 people were employed in star hotels and 10,032 persons were employed in non-star hotels, and the rest 1855 were employed in resort establishments in Nepal.

CHAPTER SEVEN

Tourism Service Marketing and Development Efforts: Empirical Analysis

7.1 Introduction

The evaluation of tourism service marketing and development efforts being initiated by various segments of tourism industry to promote tourism in Nepal has been conducted both on the perceptive basis as well as secondary data and information. In this chapter, an attempt has been made to assess the tourism development and marketing efforts on the basis of views and perceptions collected through the questionnaires and interviews with the tourists, tourism business organizations and tourism experts. The list of questionnaire of tourist, tourism organizations and experts are presented in Annex J, K and L respectively.

7.2 Opinion of Tourists

In this section, an attempt has been made to present analytically the interviews conducted with tourists visiting Nepal during 2006. The component of interviews includes the situation of Nepalese tourism services, tourism products, and facilities available and problems.

Altogether 428 tourists of different nationalities who came to Nepal for different purposes were interviewed. The perceptions and views of the tourists were analyzed on a cross sectional basis as well as in the scaled questionnaire, the mean value was computed and analyzed on the basis of mean results. Besides, simple percentages were computed to present and analyze the view and the response of the tourists.

Refer to Annex - J

7. 2.1 Profile of Respondents (Tourists)

Table 7.1 represents the region-wise distribution of tourist. The profile of the tourists who were interviewed in the course of this study is presented here under. Altogether 428 tourists were interviewed from different places i.e. Kathmandu, Patan, Chitwan, and Pokhara of Nepal. The proportionate share of the tourists on the basis of regions reported 26.64% (SAARC countries), 20.09%

(other Asian countries), 31.31% (Western European), 9.81% (North America), 2.34% (Eastern Europe) and 2.34% (Asia Pacific), while 7.48% were from others countries.

Table 7.1 Region-wise Distribution of Respondents

Among 428 tourists interviewed the proportionate shares on the basis of the regions are shown in table 7.1.

Regions	Number	Percentage (%)
Asian (SAARC)	114	26.64
Asia	86	20.09
Western European	134	31.31
North American	42	9.81
Eastern Europe	10	2.34
Asia Pacific	10	2.34
Others	32	7.48
Total	428	100.00

Source: Primary Survey, 2006

Table 7.2 represents the country-wise distribution of respondents. Of the total tourists coming to Nepal during the year 2006, the highest represented from India (14.95%) followed by Sri- Lanka and UK (7.01%), France (6.07%), Germany (5.61%), USA and Italy (5.14%), Canada, China, Japan and Korea (4.67%). Similarly, Thailand represented (3.74%) followed by Denmark (3.27%), Bangladesh (2.80%), Australia, Netherlands and Singapore (2.34%), USSR (2.32%), Pakistan and Spain (1.87%) and others (7.48%).

Table 7.2 Country-wise Distribution of Respondents

Tourist Nationalists	Number	Percentage %
Australia	10	2.34
Bangladesh	12	2.80
Canada	20	4.67
China	20	4.67
Denmark	14	3.27
France	26	6.07
Germany	24	5.61
India	64	14.95
Italy	22	5.14
Japan	20	4.67
Korea	20	4.67
Netherlands	10	2.34
Pakistan	8	1,87
Singapore	10	2.34

Spain	8	1.87
Sri Lanka	30	7.01
Thailand	16	3.74
UK	30	7.01
USA	22	5.14
USSR	10	2.32
Others	32	7.48
Total	428	100.00

Source: Primary Survey, 2006

Table 7.3 Age- and Gender-wise Distribution of Respondents

Age Groups of Respondents	Male	Female	Number	Percentage (%)
0-15	12	8	20	4.67
16-30	65	35	100	23.37
31-45	95	51	146	34.11

46-60	52	78	130	30.37
61 and above	9	23	32	7.48
Total	233	195	428	100.00

Source: Primary Survey 2006

Table 7.3 represents the age- wise distribution of tourists. Of the total respondents arrival in Nepal, a majority of them (34.11%) occupied by the mature age groups between 31- 45 years, followed by the age group of 46-60 years (30.37%), and the age group of 16- 30 years (23. 37%), while the age group of 61 and above represented (7.48%) and 0- 15 years reported to (4.67%).

7. 2. 2 Purpose of Visit

The table 7.4 represents the purpose of visits of respondents. Of the total respondents arrival, about 31.57 per cent arrived to Nepal for holiday and pleasure, followed by trekking and mountaineering (16.82%), pilgrimage (14.49%) and business (7.48%), while (7.01%) came to Nepal for visiting friends and relatives, followed by officials (5.84%), conference (5.84%), honeymoon (4.91%), sports (3.74%) and any other (2.34%). This shows that holiday and pleasure represented the highest percentage. So, it is suggested that Nepal should be declared as a holiday and pleasure destination for tourists linked with trekking and mountaineering, pilgrimage and others.

Table 7. 4 Purpose of Visit

Purpose of Visit	Number	Percentage %
Holiday/pleasure	135	31.54
Trekking & Mountaineering	72	16.82
Pilgrimage	62	14.49
Business	32	7.48
Visiting Friends and Relatives	30	7.01
Officials	25	5.84
Conference	25	5.84
Honeymoon	21	4.91
Sports	16	3.74
Others- Study, Health, Research	10	2.34
Total	428	100.00%

7. 2. 3 Respondent's Decision about Tour

Table 7.5 represents the decision regarding tour. The decision making process for traveling is one of the crucial factors of tourism. Of the total respondents arrival in Nepal, about 38.55% had taken an organized tour with their group of friends, 34.58% had made an organized tour alone, while 26.87% had chosen semi- organized tour with their family. This reveals that friends have a greater power to influence on the decision making process of tourists for their trip.

Table 7. 5 Decision Regarding Tour

Mode of Tour	Number	Percentage (%)
Organized Tour (Alone)	148	34.58
Semi- Organized Tour with Family	115	26.87
Organized Tour with Group of Friends	165	38.55
Total	428	100.00

Source: Primary Survey 2006

7. 2. 4 Preferences for the Selection of Accommodations

Accommodation is one of the vital infrastructures for the development of tourism. Regarding the query raised on preference for the selection of accommodation, the table 7.6 represented that five star hotels were the choice for 18.69 per cent of the tourists visiting Nepal, while 16.82 per cent preferred four star hotels, 26.17 per cent preferred three star hotels, 5.60 per cent opted two star hotels, whereas only 2.34 per cent showed interest in one star hotel and about 26.64 per cent stayed in non star hotels. It is also observed that 3.74 per cent stayed with their friends and relatives. This shows that the majority of tourists prefer to stay at

three star hotels and it is also noticed that tourists always do not stick to only one type of accommodation. They shift to different types of star and non star hotels. This shows that majority of tourists preferred to stay at different types of star and non-star hotels in Nepal. So, the different types of tourist interest accommodation facilities should be developed in different places of the country.

Table 7.6 Types of Accommodations Preferred

Type of Hotels	Number	Percentage %
5 Star Hotels	80	18.69
4 Star Hotel	72	16.82
3 Star Hotel	112	26.17
2 Star Hotel	24	5.60
1 Star Hotel	10	2.34
Total no of tourists staying at star hotels	298	69.62
Total of tourists staying at Non star hotel	114	26.64
Total tourists staying at Friends and Relatives	16	3.74
Total	428	100.00

Source: Primary Survey 2006

7. 2. 5 Cuisines Offered to the Tourists and their Preference

Tourists may have different tastes and preferences. So, different types of cuisine are offered to them. Table 7.7 shows that of the total respondents, about 33.64 per cent preferred Indian Cuisine, while 28.04 per cent enjoyed Continental followed by Nepali (16.82%), and Chinese Cuisine (11.68%). On the other hand 9.82 per cent preferred any other. This shows that most of the tourists preferred to taste Indian and Continental Cuisine.

Table 7.7 Types of Cuisine Offered and Tourist's Preference

Type of Cuisine Offered	Number	Percentage (%)
Indian	144	33.64
Continental	120	28.04
Chinese	50	11.68
Nepali	72	16.82
Any other	42	9.82
Total	428	100.00

Source: Primary Survey, 2006

7. 2. 6 Duration of Stay

Table 7.8 represents the distribution of tourists according to the duration of stay. Of the total respondents, about (27.57%) stayed for four to six nights, followed by one to three nights (21.73%), seven to nine nights (13.79%) and ten to twelve nights (10.75%), while about (7.94%) represented more than two weeks, (6.07%) represented sixteen to eighteen nights, (5.61%) represented nineteen to twenty one nights, and (3.04%) represented twenty two to twenty four nights. Similarly, about (2.34%) represented twenty five to twenty seven nights and (1.17%) represented twenty eight to one month. The average duration of stay among respondents visiting Nepal was 9 nights.

This indicates that a large number of respondents who came to Nepal for holiday and pleasure, they generally stayed for a shorter period. Those who stayed for longer periods spent their time for trekking and mountaineering. This clearly suggests that to increase the length of stay of holiday and pleasure group, we have to increase more recreational facilities and develop a package tour.

Table 7. 8 Distributions of Tourists According to Duration of Stay

Duration of Night	Number	Percentage (%)
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One-Three Nights	93	21.73
Four - Six Nights	118	27.57
Seven - Nine Nights	59	13.79
Ten - Twelve Nights	46	10.75
Thirteen- Fifteen Nights	34	7.94
Sixteen- Eighteen Nights	26	6.07
Nineteen- Twenty one Nights	24	5.61
Twenty two-Twenty Four Nights	13	3.04
Twenty Five- Twenty Seven Nights	10	2.34
Twenty Eight- Thirty Nights	5	1.17
Total	428	100.00
Average Length of stay 9 Nights		

Source: Primary Survey 2006

7. 2. 7 Selection of Destination for Respondent

Table 7.9 represents the place of stay of respondents. Kathmandu being the entry point for most of the international tourists, about 44.85 per cent preferred traveling to Kathmandu revealing it as the most popular destination for them followed by Pokhara (26.16%), and an equal percentage of preference has been given to Shivapuri (23.36%), and Patan (23.36%), while (20.56%) had chosen Chitwan and the same percentage (20.56%) to Bhaktapur as their destination, whereas, (19.16%) visited Nagarkot followed by Lumbini (9.34%), and Sagarmatha (9.34%). Similarly, (7.00%) visited Annapurna, (6.54%) preferred Langtang, and other places like Ilam, Dolpa, Palpa, Janakpur (26.16%). This shows that the most popular destination for the international visitors are Kathmandu, Pokhara, Chitwan, Lumbini, Nagarkot and some other trekking trails.

Table 7. 9 Place of Stay of Respondents

Place	Number	Percentage (%)
Kathmandu	192	44.85
Pokhara	112	26.16
Chitwan	88	20.56
Lumbini	40	9.34
Annapurna	30	7.00
Sagarmatha	40	9.34
Langtang	28	6.54

Shivapuri	100	23.36
Nagarkot	82	19.16
Patan	100	23.36
Bhaktapur	88	20.56
Others (Ilam, Dolpa, Palpa, Janakpur)	112	26.16

Source: Primary Survey, 2006

Note: - The percentage has been calculated on the basis of the frequency of response of each item to the total sample.

7. 2. 8 Status of Tourist's per Day Average Expenditure

Table 7.10 shows the tourist per day average expenditure. Of the total respondents visiting Nepal, about 21.03 per cent had per day average expenditure of about \$6 to \$15 per day, followed by \$16 to \$25 (19.62%), \$26 to \$35 (16.36%), and \$36 to \$45 (15.42%). Similarly, the number of tourists per day average expenditure \$46 to \$55 represented 7.94 per cent, followed by \$56 to \$65 (6.54%), \$66 to \$75 (4.21%), \$76 to \$85 (3.27%), \$86 to \$95 (2.34%), \$96 to \$105 (1.87%), and \$106 and over represented 1.40 per cent. The data represents that the average per day expenditure of tourists accounted to US \$37.

However, in general it shows that the number of tourists having per day average expenditure more than US \$6 to \$15 represented the highest in number. It means that a substantial number of tourists were found to be from low spending group. On the other hand, the middle class tourists were found to be moderately high in number in comparison to the high spending tourists. Thus, the study reveals that the majority of tourists coming to Nepal are low spenders, therefore efforts should be made to improve the quality of tourism products and services as well as facilities for recreation, amusement and package tours should be developed to meet the standard of high and medium spending category of tourists.

Table 7. 10 Tourists’ Average per Day Expenditure

Expenditure per day US Dollar	Number	Percentage (%)
\$6 to \$15	90	21.03
\$16 to \$25	84	19.62
\$26 to \$35	70	16.36
\$ 36to \$45	66	15.42
\$46 to \$ 55	34	7.94
\$56 to \$65	28	6.54
\$ 66 to \$75	18	4.21
\$76 to \$85	14	3.27
\$86 to \$95	10	2.34
\$96 to \$105	8	1.87
\$106 over	6	1.40
Total	428	100.00
Average Expenditure per Day US \$37		

Source: Primary Survey, 2006

7. 2. 9 Help for the Selection of Accommodation

Table 7.11 exhibits help for the selection of accommodation. With reference to the query to the respondents regarding the help for the selection of accommodation, about 44.86 per cent of tourists were helped by travel agents for the selection of appropriate accommodations for them. Similarly, 8.40 per cent were helped by transport agents, 11.70 per cent were assisted by tour operators of Nepal, while 9.80 per cent agreed that tour operators of different countries had helped them for the selection of right accommodation. The records also showed that about 16.80 per cent of respondents were helped by hotel chains whereas, 8.44 per cent were helped by others (friends and relatives). This indicates that travel agents have a greater role for the arrangement of suitable accommodation for the tourists.

Table 7. 11 Help for the Selection of Accommodation

Help for Accommodation	Number	Percentage (%)
Travel Agents	192	44.86
Transport Agents	36	8.40

Tour Operators of Nepal	50	11.70
Tour operator	42	9.80
Hotel Chains	72	16.80
Others (Friends & Relatives)	36	8.44
Total	428	100.00

Source: Primary Survey, 2006

7. 2. 10 Mode of Transportation

Table 7.12 reveals the mode of transportation used by tourist. Nepal being a landlocked country it has no water route, particularly the sea route for passenger traffic. The physical features of Nepal are such that barring India it has almost insignificant land connectivity for the purpose of transport. So, the international tourists have the only option of air route to land in Nepal. Alternatively, they may plan to visit India from where they can take the land route to Nepal, since international tourism in Nepal is heavily dependent on air services.

Of the total respondents, about 71.96 per cent favored traveling by air, while 28.04 per cent enjoyed traveling by land. This shows that air service is the safest and fastest means of transport, and most of the international tourists would like to arrive in Nepal through the air route. However, due to the difficulty in getting an air ticket, tourists have to come to Nepal via different borders like Birgunj, Bhairahawa, Kakarbhita, Kodari, Nepalgunj, Mahendranagar, and Dhangadhi etc. It appears that tourists arriving by land routes are increasing at a higher pace, however the dominance of the air route still continues.

Table 7. 12 Mode of Transport

Mode of Transport	Number	Percentage (%)
Air Transport	308	71.96
Land Transport	120	28.04
Total	428	100.00

Source: Primary Survey, 2006

7. 2. 11 Main Sources of Information

Table 7.13 indicates the sources of the information of respondents. Regarding the main source of information, about 28.04 per cent respondents agreed that their friends and relatives were the main sources of information for their traveling, followed by travel agents (15.89%), newspaper and magazines (4.67%), and television and radios (1.40%). Whereas, 14.95 per cent were informed by guide books, 2.80 per cent were acquainted by tourists office, 9.35 per cent have known from their prior visit experience, 4.67 per cent have heard from their business linkage, while about 4.67 per cent learnt from trade shows and fair, 2.34 per cent were assisted by airlines, while 7.48 per cent were informed by other sources of information which includes e-mail and internet and 3.74 per cent did not response. However in particular, this shows that friends and relatives were the main source of information, followed by travel agents, guide books and prior visits.

The study shows that the overall word of mouth and personal recommendations from their friends and relatives were the main sources of information for tourists coming to Nepal. Guide books are also important for package tour visitors. Travel agents are highly important, more so than any other sources.

Table 7. 13 Sources of Information of Respondents

Source of Information	Number	Percentage (%)
Friends and Relatives	120	28.04
Travel Agents	68	15.89
Newspaper and Magazines	20	4.67

Television and Radios	6	1.40
Guide Books	64	14.95
Tourist Office	12	2.80
Prior Visit	40	9.35
Business Linkage	20	4.67
Trade Show and Fairs	20	4.67
Airlines	10	2.34
Others(email, Internet, Fax)	32	7.48
No-response	16	3.74
Total	428	100.00

Source: Primary Survey, 2006

7. 2. 12 Publicity Materials Noticed

Table 7.14 portrays the notice of publicity materials. When tourists were inquired whether they had seen any publicity materials related to the tourism published by the Government of Nepal and other different organizations, the majority of respondents

(71.97%) reported that they have seen some publicity materials related to the tourism, while 28.03 per cent claimed that they have not seen the publicity materials.

Table 7. 14 Notice of Publicity Materials

Response on Publicity Materials	Number	Percentage (%)
Yes	308	71.97
No	120	28.03
Total	428	100.00

Source: Primary Survey, 2006

7. 2. 13 Product Development Needs

Referring table 7.15 when respondents were inquired to give their view about the need of product development in Nepal, about 58.41 per cent suggested developing new products, followed by need to preserve and present as it is now (35.05%). Similarly, 30.37 per cent suggested modifying the products to suit target markets, and 30.37 per cent recommended combining or developing product features. While, 11.68 per cent advised to think about any other. This shows that improvements in products

are needed for the attraction of tourists and equal attention should be given for their preservation and maintenance for the development of tourism.

Table 7.15 Need of Product Development

Needs of Product Development	Number	Percentage (%)
Develop New Product	250	58.41
Preserve and Present as it is	150	35.05
Modify Products	130	30.37
Combine or Develop Product Feature	130	30.37
Any Others	50	11.68
Total	428	100.00

Source: Primary Survey, 2006

Note: The percentage have been calculated on the basis of the frequency of response of each item to the total sample.

7.2.14 Nepal's Tourism Products positioning in the International Markets

Table 7.16 shows that about 33.18 per cent respondents suggested that Nepal should concentrate in pleasure tourism followed by adventure (18.69%), cultural (13.55%), pilgrimage (12.62%), nature (10.75%), and sport tourism (8.41%), while 2.80 per cent suggested others i.e. agro tourism, voluntary, and ayurvedic tourism etc. As Nepal is one of the most attractive countries in the world, the grandeur of the natural scenery from the high mountains to the tropical low land is coupled with a population of diverse, friendly, ethnic and caste groups. Thus the study suggests positioning the market of Nepal into pleasure, adventure, and pilgrimage tourism linked with nature and sports tourism in the future.

Table 7. 16 Products Positioning in the International Market

Area of Tourism	Number	Percentage (%)
Pleasure Tourism	142	33. 18.
Adventure Tourism	80	18.69
Cultural Tourism	58	13.55
Pilgrimage Tourism	54	12.62
Nature Tourism	46	10.75

Sports	36	8.41
Others	12	2.80
Total	428	100.00

Source: Primary Survey 2006

7. 2. 15 Strengths of Present Tourism Products of Nepal

Nepal is also known as the land of Gorkhas. It is a land locked mountainous country, which lies on the Southern flank of the Himalaya with a glare of the highest peaks of the world and is famous as the country of Mount Everest on this globe (Maharjan, 2004).

Referring to table **7.17** so far as strengths of the tourism products of Nepal are concerned, a remarkable number of respondents, (23.36%) expressed their views that the uniqueness of rich wildlife, flora and fauna and unique religious traditions were the major strengths of Nepal's present tourism products. Likewise, 18.69 per cent indicated that Nepal's tourism products have a repeat value. During the time of interaction of the researcher with the respondents they told that they have been to Nepal for the fifth and sixth time and again they have decided to come to Nepal in the following year due to the attractive natural beauty of Nepal.

Nepal has a favorable or pleasant year round climate. As the climate of Nepal is always suitable, she can be visited the whole year. Nepal enjoys a long tourism season and there is no time of the year when visitors cease to come (Tourism Marketing Strategy for Nepal-2005-2020). As a result, about 17.75 per cent of respondents appreciated the favorable climate of Nepal, while 16.82 per cent expressed that they were attracted with the flora and fauna, wildlife, scenic beauties, including snow capped mountains, and the milky waterways which created the emotional values for them. Similarly, 16.36 per cent described the diverse ethnic culture with world heritage sites. Likewise, about 9.35 per cent expressed that Nepal is a cheap destination, 4.67 per cent preferred the location and competitive value, and 2.34 per cent expressed other reasons.

Table 7. 17 Strengths of Present Tourism Products

Strengths	Number	Percentage (%)
Uniqueness	100	23.36
Repeat Value	80	18.69
Favorable climate	76	17.75
Emotional Value	72	16.82
Diverse Ethnic Culture	70	16.36
Value for Money	40	9.35

Location	20	4.67
Competitive Value	20	4.67
Any Other	10	2.34

Source: Primary Survey, 2006

Note: The percentages have been calculated on the basis of frequencies of response of each item to the total sampled.

7. 2. 16 Weaknesses of Present Tourism Products

Table 7.18 shows the weaknesses of tourism products of Nepal. Regarding the weaknesses of present tourism products of Nepal, about 28.04 per cent claimed unreliable national carrier, 26.63 per cent observed the lack of preservation of products, 21.03 per cent indicated pollution of air, water and solid waste and 18.69 per cent stated unexplored areas, while 16.36 per cent indicated a weak infrastructure. Similarly, about 14.95 per cent claimed congestion of road as well as area of TIA whereas, 9.35 per cent expressed limited products followed by lack of competitiveness (9.35%), landlocked country (7.01%) and lack of quality of products and services (4.67%).

This shows that there is a lack of preservation of world heritage sites, temples, and architecture which was considered as the major weakness for the development of tourism and they are also deteriorated by men and animals day by day. Another great

difficulty they have perceived in traveling are the lack of reliability of the national carrier e.g. frequent cancellation and delay of flights services, and the lack of availability of seats.

Table 7. 18 Weaknesses of Tourism Products of Nepal

Weakness of Tourism Products	Number	Percentage (%)
Lack of preservation	114	26.63
Congestion	64	14.95
Lack of quality of products and services	20	4.67
Limited products	40	9.35
Unreliable national carrier	120	28.04
Unexplored areas	80	18.69
Weak infrastructure	70	16.36
Pollution of air, water and solid waste	90	21.03
Land locked countries	30	7.01
Lack of competitiveness	40	9.35

Source: Primary Survey, 2006

Note: The percentage has been calculated on the basis of frequency of response of each item to the total sampled.

7. 2. 17 Attractive Factors for Visiting Nepal

Referring to table **7.19** an attractive factor for visiting Nepal, about 81.77 per cent of respondents opined that their main attraction for making decision for traveling to Nepal was the natural beauty. They added that flora and fauna, mountains, lakes, springs, and rivers of Nepal have attracted them in making a choice for traveling to Nepal.

Similarly, 67.76 per cent expressed their view that they were motivated due to its favorable climate, because winter (October-December) provides a pleasant temperature with clear skies. During the spring season (January – March) temperatures rise to some extent and during summer (April to June) the days become hot and humid and finally the monsoon (July – September) brings cooling rains. It can be said that people of different countries can enjoy in Nepal both in hot and cold seasons. The country is blessed by a pleasant climate all the year round, offering stunning mountain views for most of the year (Pradhan, 2007:26).

Nepal is also a famous destination for trekkers and mountaineers. The number of trekkers and mountaineers have increased slowly. Even in the difficult situation of Nepal, people from different countries have traveled to Nepal for trekking. Of the total respondents, about 42.06 per cent were attracted to Nepal for trekking and mountaineering.

Nepal is equally famous as the land of the Gurkhas. The Gurkhas of Nepal have earned name, fame, and prestige for Nepal as brave soldiers in the world with a reputation for valor, grit and loyalty. Their motto is “it is better to die than to be a coward”. The

name of Gurkhas was formed by the former Great King Prithivi Narayan Shah. About, 11.68 per cent visitors were attracted to Nepal due to the land of Gurkhas.

Nepal can be said as a peaceful country in the world. A few years ago it was a peaceful country and there was no discrimination in the name of religion, culture, caste and ethnic group. There were no protests and agitation from any political party. It was not over crowded in the city and there was no pollution of air. But now this image of Nepal has vanished to some extent. However, 16.36 per cent visitors have made decision for traveling to Nepal on the basis of its past image.

Another important factors attracting tourists are the historical and architecture of Nepal. Art is the mirror of the past society. Nepal is famous and unique in the world in the field of art, crafts and architecture.

Tourist destination such as the Kathmandu valley, comprising Patan and Bhadgaon with their rich cultural heritage, their splendid painting and architectural of a country always attracted many tourists. As a result, 37.38 per cent respondents expressed that they have decided to visit Nepal due to its historical and architecture attraction.

It is said that Nepal is a cheap destination compared to other countries. One can travel to Nepal even by spending a small amount of money. The fares of transportation, lodging and flooding are also cheaper in Nepal compared to other countries. Thinking in terms of the value of money, 30.37 per cent of respondents expressed their views that they have opted to visit Nepal.

Regarding the religion, altogether 30.37 per cent expressed their views that they were attracted to visit Nepal as their tourism destination. Religious practices are an important part of the lives of the Nepalese people. In Nepal especially, Hinduism and Buddhism the two main religions are famous and one can see the cluster of temples in its unique pagoda style with perfect religious harmony in a country where Hindus preach Buddhism and visit Buddhists monasteries and Stupas, which are so much a part of its people in the capital city of the country.

Nepal is known for the friendliness, politeness and hospitable nature of her people. The people of Nepal are hospitable, simple, honest, innocent and helpful to other. About 18.69 per cent were attracted to visit Nepal due to the honest and hospitable nature of the people.

Some of the tourists recalled that while trekking, the Sherpas who were with them had saved their lives and some of them had helped them to find their lost property and taken care of them.

Besides the above mentioned, there are other kinds of tourism, such as nature, health and sports tourism which are also popular in Nepal.

Table 7. 19 Main Attraction for visiting Nepal

Attraction	Number	Percentage %
Climate	290	67.76
Natural Beauty	350	81.78
Trekking & Mountaineering	180	42.06
Land of Gurkhas	50	11.68
Peace and Quite	70	16.36
Birth place of Lord Buddha	190	44.39
Historical and Architecture	160	37.37
Friendly People	140	18.69
Value for Money	130	30.37
Religion	142	33.18
Others	62	14.49

Source: Primary Survey, 2006

Note: The percentage have been calculated on the frequency of response of each item to the total sample.

7. 2. 18 Air Service Facilities Available At the Tribhuvan International Airport

The survey (2006) shows that the majority of respondents preferred to travel by air and airlines was the most preferred means of travel for international visitors. In order to find out the quality of service of TIA, the respondents were asked to express their views regarding the quality of services they have experienced during their trip to Nepal. According to table **7.20** about 4.86 per cent were less satisfied, followed by fair (23.36%), satisfied (21.03%), and poor (7.01%), while 3.74 per cent were highly satisfied. This indicates that a large number of respondents were less satisfied with the quality of services of TIA. They expressed that space of TIA was congested. They further added that the service of NAC was not reliable and limited air seat capacities have created them greater problems while traveling to and from Nepal.

Similarly, regarding the quality of service of domestic airlines, about 28.04 per cent rated fair followed by poor (25.70%), less satisfied (23.36%), satisfied (14.02%) and highly satisfied (7.48%). This also indicates that the service of domestic airlines was not satisfactory because they claimed that services of domestic airlines were not reliable, and cancellations of flight at the last moment have created them numerous problems.

Similarly, the inquiry about the services of immigration, about 35.05 per cent respondents rated it as fair, while an equal number of respondents (18.69%) were less satisfied and satisfied. About 14.02 % rated as highly satisfied and 13.5 percent rated as poor. This shows that though the majority of respondents were neither satisfied, nor dissatisfied, however, almost one third of respondents were not satisfied with the services provided by the immigration department. Some of the respondents perceived that the work process was lengthy, slow and boring.

Regarding the quality of service of customs of TIA, about 44.39 percent rated as fair, followed by satisfied (28.04%), and less satisfied (14.02%), while 9.35 per cent rated as poor and 4.20 rated as highly satisfied. This shows that though majority of respondents had positive thoughts regarding the customs of TIA, however, a small number of respondents complained about its quality of services. They complained that sometimes the staff demanded bribes in cash and kind, and sometimes the actual quantity of goods were found lost and no body took its responsibility.

In the case of quality of service of staff working at TIA counter, an equal number of respondents rated as satisfied (37.38%) and fair (37.38%), while 8.69 per cent were highly satisfied and a small number of respondents rated as less satisfied (5.15%) and poor (1.04%). This shows that though majority were satisfied with the performance of the personnel, however, a small number

were dissatisfied and complained that the staff of reception were not well conversant in English and other languages. Beside this, the respondents perceived that the staffs were less energetic and they have been taking a long time for checking their luggage.

The response regarding the evaluation of air service facility of Nepal on the basis of average mean, the service of employee working at TIA showed the highest response with a score of (3.3), followed by immigration (3.0), customs (3.0), domestic air service (2.6), and service of TIA (2.5). This shows that the service of TIA is the least satisfactory compared to others. The study also suggests on improving the quality of the service of TIA.

Table 7.20 Rating of Response Regarding the Air Service Facilities of Nepal

Quality of Service	Highly Satisfied (5)	Satisfied (4)	Fair (3)	Less satisfied (2)	Poor (1)	Total	Sum of cf	Av. Mean
Tribhuvan International Airlines	16 (3.74)	90 (21.03%)	100 (23.36%)	192 (44.86%)	30 (7.01%)	428 (100.00%)	1074	2.5
Domestic Air service	32 (7.48%)	66 (15.42%)	120 (28.04%)	100 (23.36%)	110 (25.70%)	428 (100.00%)	1094	2.6
Immigration	60 (14.02%)	80 (18.69%)	150 (35.05%)	80 (18.69%)	58 (13.55%)	428 (100.00%)	1288	3.0
Customs	18 (4.20%)	120 (28.04%)	190 (44.39%)	60 (14.02%)	40 (9.35%)	428 (100.00%)	1300	3.0
Service of Employee	22 (5.15%)	160 (37.38%)	160 (37.38%)	80 (18.69%)	6 (1.40%)	428 (100.00%)	1396	3.3

Source: Primary Survey, 2006

7. 2. 19 Services of Travel Agency and Tourists Guide of Nepal

Making travel arrangement is an important function while traveling abroad which is essential for the tourism business. The travel agents function as an intermediary between their customers and producers of tourist service like hotels, transport, entertainments, excursion etc. Moreover, travel agents work as an adviser to the tourists providing them with the required information and inspiring them to travel to a particular place or buy a particular package.

Regarding the services of travel agents of Nepal, table 7.21 indicates that about 42.05% reported the service was fair, followed by satisfied (35.05%), and highly satisfied (16.35%), while 4.21 per cent reported less satisfied and 2.34 per cent rated as poor. This shows that the majority of tourists have reported that they were satisfied with the service of travel agents while, a small proportion rated as dissatisfied because they added that though the travel agents provided good advice and inspired them however, sometimes the arrangement of foods, transportation and accommodation were found below the standard as they had promised before. They had been offered low quality foods and drinks and less comfortable mode of transport. As a result, they were compelled to show their anger to the travel agents for not being provided services as promised.

Similarly, relating to the service quality of tourist guides of Nepal, about 38.79 per cent rated fair, followed by satisfied (34.58%), and less satisfied (11.21%), while 9.35 per cent rated highly satisfied and 6.07 per cent rated poor.

The role of tourists guide is also equally important in Nepal for the development of tourism business. Everyone visiting to a new place or a country has to have enough information about it. In other words, they need to be briefed and guided around. This way it will not only help the tourists to provide enjoyment of the visit but also gather information about that particular place. Habler (2006:18) expressed that guides and porters are very important in helping them and eliminating their problems. He further added that as the guides and porters are more aware of the weather, area, local habits and tradition, they helped them to make their trip safer and easier.

Some of the respondents told that even though the guides were provided by the hotels and travel agents for their convenience, they could not understand their behavior and attitude. The respondents further added that sometimes tourist guides lacked knowledge about the place and experience but in general, the licensed guides were comfortable and capable of handling them than those who had not been trained.

The response regarding the evaluation of service of travel agency and tourist guide on the basis of average mean, the service of travel agency showed much higher with a score 3.6, followed by service of tourist guide (3.3). This shows that the quality of service of tourist guide should be improved.

Table 7.21 Level of Quality of Services of Travel Agency and Tourist Guides of Nepal

Rating of Services	Highly satisfied (5)	Satisfied (4)	Fair (3)	Less satisfied (2)	Poor (1)	Totals	Sum of cf	Av Mean
Travel Agency	70 (16.35%)	150 (35.05%)	180 (42.05%)	18 (4.21%)	10 (2.34%)	428 (100.00%)	1536	3.6
Tourist Guide service	40 (9.35%)	148 (34.58%)	166 (38.79%)	48 (11.21%)	26 (6.07%)	428 (100.00%)	1412	3.3

Source: Primary Survey, 2006

7. 2. 20 Quality of Services of Star Hotels

For the successful tourism, accommodations must be available in sufficient quantity and quality to match the demand of the travelers, who arrive at the destination. Hotels vary tremendously in their physical facilities, level of maintenance and cleanliness and services. Unless all of these factors are at the satisfactory level, tourism cannot succeed (Pandey, 2008:7).

The tangible aspects refers to the provision of physical facilities, like building, lounge, car parking space, signboard, and decoration, lamps, furniture, modern equipments, restaurant and bar, swimming pool, appearance of staff working at the hotel, their dress, neatness, and way of handling visitors, etc. From the table 7.22 it can be said that of the total, about 53.69 per cent of respondents shared their experience that physical facilities provided by the star hotels were satisfactory. So they were satisfied followed by highly satisfied (33.56%), while 8.05 per cent opined that they did not remark about it, 4.70 per cent expressed that physical facilities provided by them did not seem enough. So they were less satisfied.

Likewise, the same question posed to the visitors about the modern equipment facilities provided by the star hotels about 50.36 per cent felt that they were highly satisfied followed by satisfied (23.49%) and fair (16.76%) and only a small proportion (9.40%) perceived that the star hotels have below the sufficient level of equipments. So they were less satisfied.

In response to the staff appearance of hotels, about 35.57 per cent rated as highly satisfactory followed by satisfied (24.83%), while 35.57 per cent rated as fair, 4.03 per cent were less satisfied and they expressed that the staff were below the standard, and commented that they were not active, and smart. However, in general, the majority of respondents were satisfied with the tangible facilities provided by the star hotels. But, it should be kept in mind that to achieve full customer satisfaction, the management should pay more attention to improve its present level of service facilities.

Regarding the quality of service as tangibility, the component of physical facility have been rated with an average mean score of (4.2), followed by modern equipment (4.1), and staff appearance (3.9). This shows that component of physical facility found much better than the other.

Tangibles

Table 7. 22 Physical Facilities, Modern Equipment, and Staff Appearance

Rating of service of Star Hotel	Tourist's Response							
	Highly Satisfied (5)	Satisfied (4)	Fair (3)	Less satisfied (2)	Poor (1)	Totals	Sum of cf	Ave Mean
Physical Facilities	100 (33.56%)	160 (53.69%)	24 (8.05 %)	14 (4.70%)	-----	298 (100.00%)	1240	4.2

Modern Equipments	150 (50.33%)	70 (23.49%)	50 (16.78%)	28 (9.40%)	-----	298 (100.00%)	1236	4.1
Staff Appearances	106 (35.57%)	74 (24.83%)	106 (35.57%)	12 (4.03%)	-----	298 (100.00%)	1160	3.9

Source Primary Survey, 2006

Reliability

Reliability is defined as the ability to perform the promised service accordingly, providing accurate record and the service at the agreed time. Though, it is regarded as the most important dimension of service quality. Table 7.23 represents the reliability of service quality. Of the total, about 51.02 per cent of respondents were satisfied followed by highly satisfied (40.94%). They perceived that the waiters, bar men, chefs have served the ordered dishes to the right table, while 1.34 per cent of respondents rated as fair and only 6.70 per cent were less satisfied with the agreed services provided by the staff. They found that the quality of food and its taste, staff's attentiveness towards them were below their expectation.

In response to the error of keeping records, about 41.61 per cent were highly satisfied with the services of the hotel in keeping correct records, followed by satisfied (34.90%), while 20.13 per cent rated as fair and 3.36 per cent rated less satisfied. They found some error in filling the bill and booking of the room and taking the order of food.

In the case of providing the promised service at the right time, 42.28 per cent respondents perceived that they were quite satisfied, while 30.20 per cent were highly satisfied. On the other hand, 25.50 per cent rated fair followed by less satisfied (2.02%).

Thus, regarding the evaluation of quality of service as reliability, the component of service at the agreed time rated the highest average score (4.2) compared to no error of record (4.1) and promised service always kept (4.0). This shows that the component of no error of record and promised service always kept needs some improvement.

Table 7.23 Service at Agreed Time, No Error of Record Keeping, and Promised Service

Rating of service of Star Hotel	Tourist' Response							
	Highly Satisfied (5)	Satisfied (4)	Fair (3)	Less Satisfied (2)	Poor (1)	Totals	Sum of cf	Ave Mean
Reliability	122 (40.94%)	152 (51.02%)	4 (1.34%)	20 (6.70%)	-	298 100.00%	1262	4.2
Service at the Agreed Time	124 (41.61%)	104 (34.90%)	60 (20.13%)	10 (3.36%)	-	298 100.00%	1236	4.1
No Error of Record	90 (30.20%)	126 (42.28%)	76 (25.50%)	6 (2.02%)	-	298 100.00%	1194	4.0
Promised Service Always Kept								

Source: Primary Survey, 2006

Responsiveness

Responsiveness refers to the willingness and ability of service personnel to help and provide prompt services. Regarding the question to the respondents about willingness and ability of star hotels, table 7.24 refers that about, 58.39 per cent were satisfied with it followed by highly satisfied (30.87%). They expressed that most of the star hotels especially, four and five star hotels had shown them a good response about their questions, and the hotel staffs were ready to solve their problems, while 8.73 per cent rated as fair and a small percentage (2.01 %) were less satisfied.

When the same type of questions were raised to the respondents about the timeliness or prompt fulfillment of their demand and solving their problems, about 38.93 per cent opined that they were satisfied, followed by highly satisfied (36.91%), whereas 20.81 per cent of respondents rated as fair and only a small number (3.36%) of respondents were less satisfied. The respondents stated that the staff had an indifferent level of activity to provide them prompt service.

The response regarding the evaluation of service quality as responsiveness, the component of willingness to help showed much higher average mean score (4.2) compared to component of provide prompt services (4.1). It shows that component of provide prompt service needs some improvement.

Table 7. 24 Willingness and Ability to help and Prompt Service

Rating of service of Star Hotel	Tourist's Response							
	Highly Satisfied (5)	Satisfied (4)	Fair (3)	Less Satisfied (2)	Poor (1)	Total	Sum of cf	Ave Mean
Responsiveness								
Willingness to Help	92 (30.87%)	174 (58.39%)	26 (8.73%)	6 (2.01%)	-	298 (100.00%)	1246	4.2
Provide Prompt Service	110 (36.91%)	116 (38.93%)	62 (20.81%)	10 (3.36%)	-	298 (100.00%)	1220	4.1

Source: Primary Survey, 2006

Empathy

Empathy refers to the care and concern and personal attention which the service providers

deliver to their customers. Referring to the table 7.25, about 46.31 per cent opined that they were satisfied with the hotel staff

about the care and concern taken regarding their name, address, food habits, health conscious, and knowledge of newly place followed by highly satisfied (20.81%), while about 22.15 per cent rated as fair and, 10.74 per cent were less satisfied.

The same type of questions raised to the respondents about the personal attention given to them, the major (39.60%) proportion of respondents have perceived a satisfied result followed by highly satisfied (29.53%), while 28.19 per cent rated as fair because they were re-visitors and they were aware about the place, food and rule and regulations of the hotel service. However, a small number (2.68%) rated less satisfied.

Regarding the evaluation of quality of services as empathy, the component of personal attention shown by the hotel staff have been rated with an average mean score of 4.0, followed by care and concern (3.8). This shows that quality of service regarding the care and concern needs some improvement.

Table 7. 25 Care, Concern and Individual Attention

Rating of service of Star Hotel	Tourist' Response							
	Highly Satisfied (5)	Satisfied (4)	Fair (3)	Less Satisfied (2)	Poor (1)	Totals	Sum of cf	Ave Mean
Care and Concern	62 (20.81%)	138 (46.31%)	66 (22.15%)	32 (10.74%)	-	298 (100.00%)	1124	3.8

Personal Attention	88 (29.53%)	118 (39.60%)	84 (28.19%)	8 (2.68%)	-	298 (100.00%)	1180	4.0
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Source: Primary Survey, 2006

Assurance

Assurance is defined as an employee's knowledge, courtesy and ability of the firm and its employees to inspire trust and confidence, security and freedom from risk, doubt and danger. Referring to the table **7.26** the majority (53.69%) of respondents expressed that they were satisfied with the trustworthiness shown by the staff of star hotel followed by highly satisfied (34.90%), whereas 8.05 per cent expressed that they have not perceived much difference and rated fair. On the other hand, a small number (3.36%) of respondents perceived the trustworthiness shown by the hotels staff below their expectations and they rated as less satisfied.

Likewise, the same questions rose to the respondents about the honesty. Of the total, 36.91 per cent replied that they were satisfied with the assurance given by the staff about the honesty followed by highly satisfied (32.89%), while 26.89 per cent rated as fair. They further added that they had already heard about the name and fame of the hotels from their friends and relatives whereas, 3.36 per cent rated less satisfied. Generally, the quality of services provided by all four and five star hotels does not have much difference, because they are all regulated, directed and controlled by a separate department, while in the case of one and two star hotels, due to the frequent change of staff there was the chance of insecurity and fear of doubt.

Regarding the evaluation of quality of service as assurance, the component of trustworthiness have been rated with an average mean score of (4.2) followed by honesty (4.0). This indicates that quality of honesty needs further improvement.

Table 7. 26 Ability to Convey Trust and Confidence and Honesty

Rating of service of Star Hotel	Tourist' Response							
	Highly Satisfied (5)	Satisfied (4)	Fair (3)	Less Satisfied (2)	Poor (1)	Totals	Sum of cf	Ave Mean
Trustworthiness	104 (34.90%)	160 (53.69%)	24 (8.05%)	10 (3.36%)	-	298 (100.00%)	1252	4.2
Honesty	98 (32.89%)	110 (36.91%)	80 (26.85%)	10 (3.36%)	-	298 (100.00%)	1190	4.0

Source: Primary Survey, 2006

7. 2. 21 Service Quality of Non Star Hotels

Tangibles

Under the tangibles components of service quality of Non Star Hotels, basically the physical facilities, modern equipments and staff appearance are measured. The table 7.27 refers that, of the total sampled from the respondents, about 33.33 per cent have expressed that they were highly satisfied with the physical facilities provided by the hotels, followed by satisfied (21.05%), while the equal number (21.05%) of respondents rated as fair and only a small per cent (14.04 %) reported that they were less satisfied followed by poor (10.53%).

Likewise, the same question rose to the respondents about the modern equipments possessed in the hotels where they were staying. A substantial number (31.58%) of respondents reported that they were satisfied with the modern equipments provided by it, followed by highly satisfied (17.54 %) and fair (28.07%), while 10.53 per cent rated as less satisfied and 12.28 per cent rated as poor.

Similarly, the question raised to the respondents about the appearance of the staff working in the non- star hotels, the equal number of respondents (22.81%) were highly satisfied, followed by satisfied (22.81%), and fair (22.81%), while a moderate number (21.05%) expressed that they were less satisfied followed by poor (10.53%).

Regarding the evaluation of quality of service as tangibles, the average mean score earned by the components of physical facilities have been rated (3.5) followed by component of modern equipments (3.3), and staff appearance (3.3). This shows that the facility of modern equipments and staff appearance needs some improvement compared to physical facilities.

Table 7.27 Physical Facilities, Modern Equipments and Staff appearance

Rating of service of Non-Star Hotel	Tourist' Response							
	Tangibles	Highly Satisfied (5)	Satisfied (4)	Fair (3)	Less Satisfied (2)	Poor (1)	Totals	Sum of cf
Physical Facilities	38 (33.33%)	24 (21.05%)	24 (21.05%)	16 (14.04%)	12 (10.53%)	114 (100.00%)	402	3.5
Modern Equipments	20 (17.54%)	36 (31.58%)	32 (28.07%)	12 (10.53%)	14 (12.28%)	114 (100.00%)	378	3.3
Staff Appearance	26 (22.81%)	26 (22.81%)	26 (22.81%)	24 (21.05%)	12 (10.53%)	114 (100.00%)	372	3.3

Source: Primary Survey, 2006

Responsiveness

Responsive is the willingness to help the customer and provide prompt service. Regarding the queries about the willingness to help to the customer, table 7.28 shows that about 15.79 per cent of respondents reported that they were highly satisfied followed by satisfied (17.54%), fair (31.58%), less satisfied (19.30%) and poor (15.79%).

When the same question raised to the respondents about the promptness in dealing by the non star hotel, about 19.30 per cent were highly satisfied, followed by satisfied (17.54%) and poor (17.54%), whereas 26.32 per cent rated as fair, followed by less satisfied (19.30%). In most of the non star hotels, the number of untrained staff seemed quite high. This happened due to the frequent change of staff, the service delivery may not be according to the time and order.

Under the responsiveness, the evaluation of components of willingness to help and promptness in service rated an equal average mean score with 3.0, and 3.0. This shows that the respondents were moderately satisfied.

Table 7. 28 Willingness and Ability in Solving Problem

Rating of service of Non-Star Hotel	Tourist's Response							
	Highly Satisfied (5)	Satisfied (4)	Fair (3)	Less Satisfied (2)	Poor (1)	Totals	Sum of cf	Ave Mean
Responsiveness								

Willingness to help	18 (15.79%)	20 (17.54%)	36 (31.58%)	22 (19.30%)	18 (15.79%)	114 (100.00%)	340	3.0
Prompt Service	22 (19.30%)	20 (17.54%)	30 (26.32%)	22 (19.30%)	20 (17.54%)	114 (100.00%)	344	3.0

Source: Primary Survey 2006

Reliability

Reliability involves consistency of performance and dependability the firm performs the service at the right time and with accuracy in the billing, keeping records correctly. The table 7.29 indicates that about 15.79 per cent of respondents rated highly satisfied with the service of the staff followed by satisfied (19.30%), while a major proportion (28.07%) of respondents rated as fair. On the contrary, about 19.30 per cent were less satisfied and 17.54 per cent rated as poor because they perceived mistakes made by hotel staff in adjusting the amount in the bill, as well as writing their names and addresses correctly.

When the same question rose to the respondents about the promised service delivery, about 19.30 per cent expressed that they were highly satisfied with it followed by satisfied (28.07%), while 22.81 per cent rated as fair, 19.30 per cent were less satisfied and 10.53 per cent rated as poor.

Regarding the evaluation of services as reliability, the component of promised service always kept have been rated with mean score (3.3), followed by service at the agreed time (3.0). This shows that compared to service at the agreed time (3.0), the respondents were more satisfied with the promised service always kept (3.3).

Table 7.29 Service at the Agreed Time and Promised service

Rating of service of Non-Star Hotel	Tourist's Response							
	Highly Satisfied (5)	Satisfied (4)	Fair (3)	Less Satisfied (2)	Poor (1)	Totals	Sum of cf	Ave Mean
Service at the agreed Time	18 (15.79%)	22 (19.30%)	32 (28.07%)	22 (19.30%)	20 (17.54%)	114 (100.00%)	338	3.0
Promised Service always kept	22 (19.30%)	32 (28.07%)	26 (22.81%)	22 (19.30%)	12 (10.53%)	114 (100.00%)	372	3.3

Source: Primary Survey, 2006

Empathy

Empathy is the ability to provide caring individual attention which the hotel provides to its customers. Empathy means treating the customer as individuals, i.e. it calls for customized services. For organizations, each customer is unique and they provide personalized services to their customers.

Regarding the customer care and concern of non star hotels, referring to table **7.30** about 19.30 per cent expressed that they were highly satisfied with the special care taken by the non star hotels followed by satisfied (21.05%), while 28.07 per cent rated as fair, a moderate number of respondents (17.54 %) were less satisfied and 14.04 per cent rated as poor.

In the case of personal attention given by the hotel, about 15.79 per cent were highly satisfied with the efforts made to satisfy their needs, wants and requirements, followed by satisfied (19.30%). A significant number (33.33%) of respondents rated as fair followed by less satisfied (17.54%) and poor (14.04 %).

Tourist response regarding the empathy, the component of care and concern have been rated with an average mean score of (3.1), followed by personal attention (3.0). This shows that respondents were less satisfied with the personal attention shown by the hotel staff.

Table 7.30 Care and Concern and Individual Attention

Rating of service of Non-Star Hotel	Tourist's response							
	Highly Satisfied (5)	Satisfied (4)	Fair (3)	Less Satisfied (2)	Poor (1)	Totals	Sum of cf	Ave Mean
Care and Concern	22 (19.30%)	24 (21.05%)	32 (28.07%)	20 (17.54%)	16 (14.04%)	114 (100.00%)	358	3.1
Personal Attention	18 (15.79%)	22 (19.30%)	38 (33.33%)	20 (17.54%)	16 (14.04%)	114 (100.00%)	348	3.0

Source: Primary Survey, 2006

Assurance

Assurance refers to trustworthiness, honesty and having the customer's best interest at heart and freedom from danger, risk, physical and financial security and confidentiality. It is the art of winning consumers confidence in the firm. It is also a means that the employees are always courteous and have the necessary knowledge to respond to customer's questions.

So far as the non- star hotel's trustworthiness and honesty is concerned, about 14.04 per cent of respondents were highly satisfied followed by satisfied (17.54%). About 36.84 per cent of respondents rated as fair, and equal number of respondents (15.79%) rated as less satisfied, and (15.79%) poor.

Similarly, in the case of safety, referring to the table **7.31** it can be inferred that 10.53 per cent of respondents were highly satisfied followed by satisfied (19.30%), while a significant number of respondents (35.09 %) rated as fair, and 17.54 per cent expressed that they were less satisfied and 17.54 per cent rated as poor.

This shows that though the numbers of satisfied customers are greater than the dissatisfied, however, to attract and encourage the respondents to revisit to their hotels time and again, the management has to give training and motivate their staff by giving them attractive salaries and other benefits.

The quality of service evaluated on the basis of average mean shows that the component of trustworthiness rated (3.0), followed by freedom from doubt and danger (2.9). The figure indicates that respondents were less satisfied with the hotel regarding the freedom from doubt and danger.

Table 7. 31 Ability to Convey Trust and Confidence and Freedom from Doubt and Danger

Rating of service of Non-Star Hotel	Tourist's Response							
	Highly Satisfied (5)	Satisfied (4)	Fair (3)	Less Satisfied (2)	Poor (1)	Totals	Sum of cf	Ave Mean
Trustworthiness	16 (14.04%)	20 (17.54%)	42 (36.84%)	18 (15.79%)	18 (15.79%)	114 (100.00%)	340	3.0
Freedom from doubt and danger	12 (10.53%)	22 (19.30%)	40 (35.09%)	20 (17.54%)	20 (17.54%)	114 (100.00%)	328	2.9

Source: Primary Survey, 2006

7. 2. 22 Tourist's Personal Responses

Regarding the researcher's interaction with some tourists of different nationalities (i.e. UK, Germany and Belgium), the tourists from Germany commented that they did not remember much about TIA on their previous visit, but now they have found TIA more congested and remarked that the current security checks were lengthy, time consuming and annoying. They added that TIA needed some reformation in terms of services. They expressed that the security personnel of TIA were doing their jobs just for the sake of fulfilling their duties and trolleys were found in poor condition, and toilets were filthy and smelly. They suggested for the correction of the attitude of its officers, addition of more information desks with the staff having good communication skills at the airports. They also advised to provide restaurants at the airport according to the international standard. But they expressed that they loved Nepal very much due to its unique topography, culture, and people.

Visitors from Belgium had also expressed their feelings that TIA as an international standard airport was fine but its infrastructure was limited. They had also observed that there were no good restaurants in the airport for the foreigners. They further added that their first impression about Nepal was not good in the beginning because they had found the city areas really crowded and polluted and immediately they skipped to Pokhara and managed to do trekking in Langtang region where, they came to know the real Nepal. It was beautiful and they would certainly come back for another adventure in the future.

One of the citizens of Britain said that facilities for tourists were fine but the infrastructures need to be added.

7. 3 Opinion of Tourism Related Organizations

To assess and evaluate Nepalese tourism marketing efforts, an intensive interview with the travel trade business organizations was conducted. A total of 150 business organizations i.e. hotels, travel, trekking and mountaineering, rafting agencies, and airlines were interviewed (Refer to Annex-K). This included 75 travel agencies, 30 hotels, 33 trekking and mountaineering agencies, 7 rafting agencies and 5 airlines. An attempt has been made to identify and present the existing marketing situation, policies, marketing efforts and problems as perceived by the business organizations.

7. 3. 1 Status of Business

Referring to table 7.32 of the total (150) tourism organizations, about 50.00 per cent were travel agencies, 20.00 per cent comprised hotel business, 22.00 per cent included trekking and mountaineering agencies, 4.67 per cent were rafting agencies, and 3.33 per cent were Airline business.

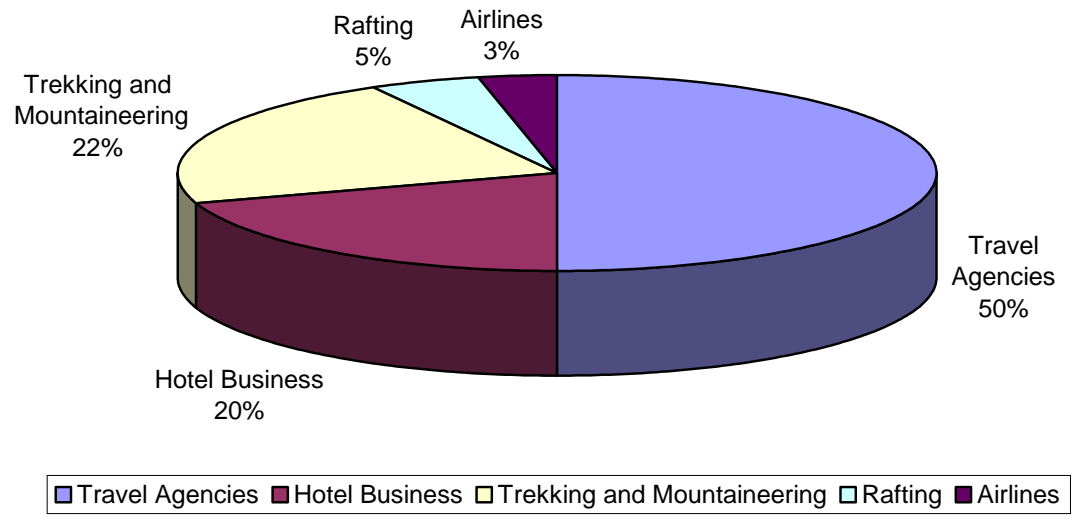
Table 7.32 Status of Business

Types of Business	Number	Percentage (%)
Travel Agencies	75	50.00

Hotel Business	30	20.00
Trekking and Mountaineering	33	22.00
Rafting	7	4.67
Airlines	5	3.33
Total	150	100.00

Source: Primary Survey 2006

Figure 7. 1 Status of Business



7. 3. 2 Product Developments Need

When the respondents were asked to give their views about the need of product development, in this respect, the table 7.33 refers the majority (40.0%) of respondents expressed the need to develop new products, followed by the preserve and present product as it is (30.67%), while 16.00 per cent advised to modify the products to suit target market. Likewise, 6.67 per cent advised to combine product feature followed by any other (6.67%). This shows that new products are needed for the attraction of tourists. They suggested developing new tourism products like Natural therapy, sport tourism, nature and cultural tourism separately. They also added to increase more recreational facilities for the pleasure and holiday makers.

Table 7. 33 Needs of Product Development

Strategy	Number	Percentage (%)
Preserve and present our product as it is	46	30.67
Modify products to suit target markets	24	16.00
Combine product feature	10	6.67
Develop new products	60	40.00
Any other(facility for children and women and old)	10	6.67
Total	150	100.00

Source: Primary Survey, 2006

7. 3. 3 Nepal’s Tourism Product positioning in the International Market Arena

Regarding the Nepal’s tourism product positioning in the international market, of the total respondents table 7.34 refers that about 29.33 per cent viewed that pleasure tourism destination should be positioned in the international market. Similarly, about 26.67 per cent suggested adventure tourism destinations, followed by nature based tourism (20.0%), culture based tourism (10.00%), whereas, about 6.67 per cent viewed pilgrimage tourism followed by any other (5.33%) and mixed view (2.00%).

This shows that adventure tourism is much popular as Nepal is known as “Paradise for Trekkers”. Similarly, historical and cultural attractions of Nepal are other prominent attractions that motivate the tourists for visiting Nepal. Now a day, pilgrimage tourism in Nepal is much popular for Indian, Japanese, Sri Lankan and Thai visitors.

Table 7. 34 Product Positioning in the International Market

Product Positioning	Number	Percentage (%)
Pleasure tourism Destination	44	29.33
Adventure Tourism Destination	40	26.67
Culture based Tourism	15	10.00
Nature based Tourism	30	20.00

Pilgrimage	10	6.67
Mix of above	3	2.00
Any Other	8	5.33
Total	150	100.00

Source: Primary Survey, 2006

7. 3. 4 Product Development Strategy

Regarding the query about the product development strategies, table 7.35 indicates that a large number of respondents (26.67%) suggested improving quality of product and service, followed by addition of new area would be the best for developing products (13.33%). Similarly, 20.00 per cent advised to improve the product feature while 13.33 per cent emphasized for the preservation and maintenance of tourist area. About 6.67 per cent expressed professional manpower development, 9.33 per cent suggested continuous research and 10.67 per cent suggested for joining the effort of government and private sectors.

Table 7.35 Product Development Strategy

Product Development Strategy	Number	Percentage (%)
Improving the quality of product and services	40	26.67
Addition of new area	20	13.33

Improve product feature	30	20.00
Preservation and maintenance of tourist area	20	13.33
Professional manpower development	10	6.67
Continuous research	14	9.33
Joint effort of government and private sector	16	10.67
Total	150	100.00

Source: Primary Survey, 2006

7. 3. 5 Concentration of Marketing Effort

Table 7.36 represents that the majority (46.67%) of them thought that Nepal's marketing efforts should be concentrated on international level while, 26.67 per cent viewed that it should be concentrated at the National level, followed by potential new market (13.33%), specific target market (6.67%), and any other (6.67%).

This shows that the majority of the respondents suggested Nepal's tourism market should be focused on the international level. However, they also emphasized to develop the national level market as well.

Table 7. 36 Concentration of Marketing Effort of Nepal

Concentration of Marketing Efforts of Nepal	Number	Percentage (%)
National Level Step	40	26.67
International Level Step	70	46.67
Specific Target Market	10	6.67
Potential New Market	20	13.33
Any Other	10	6.67
Total	150	100.00

Source: Primary Survey, 2006

7. 3. 6 Relationship with the Employee

Regarding the query about the relationship between the employer and the employees, table 7.37 shows that about 40.00 per cent of respondents expressed their feeling that they had good relationship with their employees, followed by very good (29.34%), fair (26.67%) and less satisfactory by 4.00 per cent.

Table 7. 37 Relationship with the Employee

Rating of Response	Number	Percentage (%)
Very Good	44	29.34
Good	60	40.00
Fair	40	26.66
Less Satisfactory	6	4.00
Poor	-	-
Total	150	100.00

Source: Primary Survey 2006

7. 3. 7 Area of Attention for the Promotion of Tourism

Regarding the query about the area of attention for the promotion of the tourism, table 7.38 exhibits that a significant number of the respondents (40.00%) opined that airlines operations should be given the highest attention for the promotion of tourism, while equal attention should be given for the accommodation (13.33%) and the improvement of environment (13.33%). Similarly, an equal proportion of respondents (6.67%) opined that attention should be given towards the immigration followed by sanitation (6.67%), customs (6.67%) whereas, 4.00 percent suggested road development and 2.67 per cent viewed visa rate. This shows that the number of airlines and its seats capacity are the main concern for the promotion of tourism.

Table 7. 38 Area of the attention for the promotion of tourism

Area of Attention	Number	Percentage (%)
Accommodation	20	13.33
Immigration	10	6.67
Airlines	60	40.00
Agency Services	10	6.67
Sanitation	10	6.67
Environment	20	13.33

Visa Rate	4	2.67
Road development	6	4.00
Customs	10	6.67
Total	150	100.00

Source: Primary Survey 2006

7. 3. 8 Reliability of Media

Regarding the reliability of media, table 7.39 demonstrates that an equal number of respondents (26.67%) expressed their view that most of the tourists rely on “Word of mouth,” and friends and relatives (26.66%), followed by publicity through e-mail and internet (20.00%), while equal number of respondents (6.67%) thought publishing through trade and travel journal, 6.67 per cent thought television and 6.67 per cent viewed any other. Only a small per cent of respondents viewed (4.00%) publicity through other magazines and 2.67 per cent believed the radio would be the most reliable media for the tourists.

Table 7.39 Reliability of Media

Media	Number	Percentage (%)
Trade and Travel Journal	10	6.67
Radio	4	2.67
Other magazines	6	4.00
Word of Mouth	40	26.66
Television	10	6.67
E-mail and internet	30	20.00
Friends and Relatives	40	26.66
Any other	10	6.67
Total	150	100.00

Source: Primary Survey 2006

7. 3. 9 Efforts to be Initiated by the Government

On the basis of the experience of respondents working in different field of tourism business organizations they expressed their views that a number of measures be initiated by the government for the promotion of tourism in the country. According to table 7.40 of the total respondents, a major proportion (26.67%) suggested that the government should pay more attention towards the

promotion of tourism destination of Nepal while, the same percentage suggested (13.33%) for the creation of infrastructure, 13.33 per cent on product development and 13.33 per cent emphasized facilitating tourism industry. Similarly, an equal number of respondents (6.67%) suggested giving due attention to the participation in fairs and exhibition, use of Embassies more efficiently (6.67%), increase in budget (6.67%), manage environment (6.67%), and clear plan and policies (6.67 %).

Table 7. 40 Efforts Initiated by Government

Efforts of the Government	Number	Percentage (%)
Destination Promotion	40	26.67
Creation of Infrastructure	20	13.33
Product Development	20	13.33
Facilitating Tourism Industry	20	13.33
Participation in fairs/ exhibition	10	6.67
Use Embassies more effective	10	6.67
Increase in Budget	10	6.67
Manage Environment	10	6.67
Clear plan and policies	10	6.67

Total	150	100.00
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Source: Primary Survey, 2006

7. 3. 10 Tourism Marketing During Off Seasons

It is said that tourism is a seasonal business in nature, and the majority of tourists are concentrated over particular months. Basically, for the international tourists, table 7.41 refers that October represented the peak month followed by November, December, January, March and April while, other months are supposed to be off season for them, however, recently there are indications of lesser seasonality in the tourism business. Of the total respondents, about one third (33.33%) viewed that they marketed their business during the off season by providing a price concession whereas, 26.67 per cent expressed that they marketed their business by targeting new markets followed by targeting cheap markets (20.00%), promoting conference, seminars, and business tours (13.33%) and any other (6.67 %). This also shows that discounting the price would be a great help to reduce the seasonality of tourism markets.

Table 7. 41 Marketing of Tourism Products/ Services During Off Seasons

Marketing During the off season	Number	Percentage (%)
Targeting new market	40	26.67

Targeting cheap market	30	20.00
Providing Price Concession	50	33.33
Promoting Conference, seminar and business tour	20	13.33
Any other	10	6,67
Total	150	100.00

Source: Primary Survey, 2006

7. 3. 11 Quality of Tourism Products/Services Provided by the Tourism Organization

It is said that quality is very important so, efforts should be made to improve the quality of products and services which are to be sold and which are being sold to the tourists. Referring to table 7.42 of the total respondents, about 46.67 per cent rated as strongly agree that quality of tourism products/services can increase the turnover of business, followed by generally agree (33.33%), while 13.33 per cent opined that they were neither agree nor disagree, 6.67 per cent rated as generally disagree and no one has expressed strongly disagree.

Table 7.42 Rating of Quality of Tourism Services

Rating of Response	Number	Percentage (%)
Strongly agree	70	46.67
Generally agree	50	33.33
Fair	20	13.33
Disagree in General	10	6.67
Strongly Disagree	0	0
Total	150	100.00

Source: Primary Survey, 2006

7. 3. 12 Importance of Human Resource Development in the Tourism Service Organization

It can be said that for most service organization (like hotels, airlines and travel trade) employees constitute a very important component of service offering and especially in tourism. The management of this input in terms of recruiting the best personnel and training, motivating and controlling them becomes crucial in influencing the perceived quality of services. According to table

7.43 of the total respondents, about 52.00 per cent rated as strongly agree that success of their business depends upon the right choice of people, training, motivation and proper management, while 32.00 per cent rated as agree to this statement, 10.67 per cent rated as fair, and 4.00 per cent were disagree with this statement followed by strongly disagree (1.33%). Thus, it concludes that the majority of respondents have shown their strong agreement with this statement.

Table7. 43 Rating of Importance of Human Resource Development in the Tourism Service Organization

Rating of Response	Numbers	Percentage (%)
Strongly Agree	78	52.00
Agree	48	32.00
Fair	16	10.67
Disagree	6	4.00
Strongly disagree	2	1.33
Total	150	100.00

Source: Primary Survey, 2006

7. 3. 13 Nepal’s Marketing Efforts of tourism organization compared to other competitive countries

An attempt has also been made to know the respondents’ views about the comparison of Nepal’s marketing efforts with other competitive countries. Referring to table 7.44 the major proportion of respondents (33.33%) rated less satisfactory, followed by satisfactory (26.67%) whereas, 20.00 per cent rated competitive, and 10.67 per cent rated highly competitive. On the contrary, 9.3 per cent rated as poor. Thus, it reveals that comparatively, marketing efforts of Nepalese tourism organizations are less satisfactory, and it needs a lot of improvements.

Table 7. 44 Rating of Nepal’s Marketing Efforts Compared to Other Competitive Countries

Rating of Response	Number	Percentage (%)
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Highly Competitive	16	10.67
Competitive	30	20.00
Satisfactory	40	26.67
Less Satisfactory	50	33.33
Poor	14	9.33
Total	150	100.00

Source: Primary Survey, 2006

7. 3. 14 Quality of Tourism Products and Services Increase Customer Satisfaction

Customer satisfaction is a function of performance relative to the customer's expectation. When a lot has been promised and more is being delivered, this will always create a satisfied customer.

Everyone in the organization is responsible for and has to work to exceed the customer's expectations. Serving customers is a unique opportunity for the employee. Few jobs in any organization carry such impact as that of an employee, who is creating satisfied customers. The treatment of the customer is more powerful than the money spent on advertising.

Today people are more conscious about the quality of product or services. Since, tourism is an industry which largely sells itself by sharing of ideas from persons who have visited to those who tend to visit. A greater weightage is given to the interpretation of the views expressed by the people who have visited and expressed these destination and foods rather than upon the secondary sources of information being furnished by tourists through books and magazines. Therefore every business organization needs to make every effort to deliver ‘quality services’ in the truest word of the term. Table 7.45 represents the queries about the quality of products and service help to increase the customer’s satisfaction, 40.00 per cent respondents rated strongly agree, followed by agree (33.33%), and fair (13.33%) whereas, equal number of respondents (6.67%) rated as disagree and poor (6.67%).

Table 7.45 Rating of Quality of Tourism Products/Services to Customer Satisfaction

Rating of Response	Number	Percentage (%)
Strongly Agree	60	40.00
Agree	50	33.33
Fair	20	13.33
Disagree	10	6.67

Poor	10	6.67
Total	150	100.00

Source: Primary Survey, 2006

7.3.15 Suggestion to Promote Tourism in Nepal

The tourism business entrepreneur had provided various suggestions to promote Nepalese tourism in the international arena. The major suggestions provided by them are as follows.

The highest proportion of respondents emphasized the need to improve promotional and marketing efforts to project Nepal at the international level. In this field, the respondents suggested to promote Nepal as a multifaceted and unique destination like, leisure, culture, adventure and natural beauties through massive advertisements in international travel trade magazines, internet and participation in travel fairs and exhibition in abroad. Some of them have suggested increasing the security of tourists and trying to

keep peace in the country. They have also suggested that there should be enough infrastructure development like arrangement of an alternative international airport and standard accommodation facilities in different parts of the country. Similarly, some of them have suggested focusing in uniqueness of natural beauty and exploring the adventurous area which would prove to be a new destination for the tourists. Regarding the suggestion to promote international tourism in Nepal, a few of them have advised to improve the conditions of roads and linking to the remote area and they also emphasized to maintain peace, law and order in the country.

7. 4 Views of Tourism Experts

An attempt was made to present the survey findings of tourism experts as given below. An in-depth interview was conducted with 34 tourism experts, which comprised of tourism professionals, ex-member of Planning Commission of Nepal, experts emerging from travel trade industry and academicians.

Refer to Annex-K

7. 4. 1 Tourism as One of the Important Source of Foreign Exchange Earning of Nepal

In the context of Nepal, tourism can be regarded as one of the main sources of income of foreign exchange. The role of tourism as an important source of foreign exchange earning has been well established the world over. In most of the developed countries, tourism is an important source for maximizing foreign exchange earning and Nepal is no exception. Table **7.46** represents that about, 50.00 per cent of respondents agreed that it is a great source of foreign exchange earning, followed by strongly agree (14.71%) whereas, 17.65 per cent rated as fair, 8.82 per cent equally rated disagree and strongly disagree (8.82%). However, in general, a majority of respondents agreed that tourism is also one of the main source of foreign exchange earning of Nepal.

Table 7. 46 Tourism as one of the Main Source of Foreign Exchange Earning of Nepal

Rating of Response	Number	Percentage (%)
Strongly Agree	5	14.71
Agree	17	50.00
Fair	6	17.65
Disagree	3	8.82
Strongly Disagree	3	8.82
Total	34	100.00

Source: Primary Survey, 2006

7. 4. 2 Sufficiencies of Tourism Infrastructures

The table 7.47 shows the rating of responses regarding the tourism infrastructures. Pertaining to the queries raised to the experts to express their views whether the present infrastructures were sufficient for the development of tourism. About, 14.71 per cent respondents showed their strong agreement, followed by agreement (52.94%), while 14.71 percent rated it as fair. On the other hand, 11.76 per cent rated disagree, followed by strongly disagree (5.88%). However, in general the majority of respondents

expressed their view that the present infrastructures available were not sufficient, so it needs to be developed for the further development of tourism.

Table 7.47 Ratings of Tourism Infrastructure

Rating of Response	Number	Percentage (%)
Strongly Agree	5	14.71
Agree	18	52.94
Fair	5	14.71
Disagree	4	11.76
Strongly Disagree	2	5.88
Total	34	100.00

Source Primary Survey 2006

7. 4. 3 Strategy Followed for the Improvement of Tourism

Table 7.47 represents the strategy followed for the improvement of tourism, about 44.12 per cent viewed that development of tourism product is important for the improvement of tourism followed by adding new value for the existing tourism products (29.41 per cent).

Similarly, 26.47 per cent suggested for improvement of marketing activities followed by development of additional infrastructure (20.59%), while the same percentage (20.59%) suggested for the increment of the quality of service, 17.65 per cent suggested effective management, (17.65%) suggested for the proper preservation, and maintenance of existing infrastructure and (17.65%) viewed improvement of the government policy and regulations. About 14.71 per cent advised for the conservation and renovation of heritage and the same percentage (14.71%) emphasized for the protection of the environment which was deteriorating day by day. Likewise, about 11.76% suggested for the creation of awareness among people followed by improvement of safety and security (8.82%).

Table 7. 48 Strategy for Improvement of Tourism in Nepal

Strategies	Number	Percentage (%)
Develop new tourism products	15	44.12
Add new value for the exciting Tourism Products	10	29.41
Conserve and renovate heritage	5	14.71
Protect Environment	5	14.71
Development of additional infrastructures	7	20.59
Effective management of existing infrastructure	6	17.65
Increase quality of service	7	20.59
Improve Marketing Activity	9	26.47
Improve government Policy and regulation	6	17.65
Create awareness among people	4	11.76
Improve Safety and Security	3	8.82

Source: Primary Survey, 2006

Note: The percentages have been calculated on the basis of the frequency of response of each item to the total.

7. 4. 4 Main Weaknesses of Tourism Marketing

Referring to table 7.49 the weaknesses of tourism marketing of Nepal, experts have indicated various weaknesses appearing in the tourism marketing. Of the total respondents, about 73.53 per cent indicated that the main weakness of tourism marketing is the lack of professionals followed by lack of strategic planning (64.71%), lack of research work (52.94%), limited investment of fund (47.06%), lack of publicity in right time (35.29%), and lack of human resource development (32.35%). Similarly, 29.41 per cent indicated lack of government budget, followed by inability to identify market (26.47%) and the lack of coordination between the private sector and the government (20.59%).

This shows that the lack of professional persons for making plans and policy, lack of strategic marketing planning for the tourism development, lack of research work and limited investment of fund were the main weaknesses of the present tourism marketing. The weaknesses can be corrected through the strategic marketing planning, research work, promotional activities and coordination between the private sector and government. These are the important pre-requisites for the development of tourism.

Table 7. 49 Weaknesses of Tourism Marketing in Nepal

Area	Number	Percentage (%)
Limited investment of Fund	16	47.06
Lack of Strategic Planning	22	64.71
Lack of Professionals	25	73.53

Lack of budget of the Government	10	29.41
Lack of Research work	18	52.94
Inability to identify market	9	26.47
Lack of coordination between private and Government	7	20.59
Lack of Publicity in right Time	12	35.29
Lack of Human Resource Development	11	32.35

Source: Primary Survey 2006

Note: The percentage have been calculated on the basis of the frequency of response of each item to the total.

7. 4. 5 Product Positioning in the International Market

As regards the query about the product positioning in the international market, according to table 7.50 the majority (58.82%) of respondents emphasized the need to concentrate in the area of adventure tourism, followed by pleasure tourism (41.18%), culture based tourism (23.53%), and nature based tourism (23.53%) and any other (2.94%). This shows that Nepal's advantage lies in adventure, pleasure, culture and nature tourism and we should concentrate in these areas properly.

Similarly, so far as the spending of tourists is concerned, about 23.53 per cent expressed their views that medium spending tourists were beneficial to Nepal followed by high spending (14.17%) tourist, low spending tourist (11.76%) and mix of the above (8.82%). This shows that in the present situation, high and medium spending tourists are more beneficial to Nepal.

Table 7. 50 Product Positioning in the International Market

Area	Number	Percentage (%)
Pleasure Tourism Destination	14	41.18
Adventure based Tourism Destination	20	58.82
Cultural based Tourism	8	23.53
Nature based Tourism	8	23.53
Any other	1	2.94
Ideal for High Spending Tourists	5	14.71
Ideal for Medium Spending Tourists	8	23.53
Low Spending Tourists	4	11.76
Mix of Above	3	8.82

Source: Primary Survey 2006

Note: The percentages have been calculated on the basis of the frequency of response of each item to the total.

7. 4. 6 Views about Pricing Policy of Tourism Products of Nepal

According to table 7.51 about 44.12 percent respondents suggested to follow the competitive pricing policy followed by seasonal pricing (35.53%), special adjustment (29.41%), on the basis of quantity order (23.53%) and different prices for different types of tourists (17.65%) whereas, an equal number of respondents (11.76%) expressed total cost plus certain profit and skimming pricing policy (11.76%).

However, in general the experts have emphasized for competitive, seasonal and special adjustment pricing policy. This depends upon the demand and supply side of the tourists and hotels rooms and airline's seats.

Table 7. 51 Pricing Policy of Nepal

Area	Number	Percentage (%)
Total cost plus Certain profit	4	11.76

Different prices for different types of tourist	6	17.65
Seasonal Pricing	12	35.29
On the basis of quantity of order	8	23.53
Skimming price	4	11.76
Special adjustment	10	29.41
Competitive Pricing	15	44.12
If any other	0	-

Source: Primary Survey 2006

Note: The percentage have been calculated on the basis of the frequency of response of each item to the total.

7. 4. 7 Areas of Attention for the Promotion of Tourism

The respondents were asked to find out in which area of tourism they should give more attention for the promotion of tourism in Nepal. As the air transport constitutes the main transport system for international tourists arrival in Nepal, almost all experts are of the same opinion that prior attention should be given to air accessibility. Referring to table 7.52 the majority of the respondents (97.06%) opined that increment in airline facility should be given the highest priority for the promotion of tourism in Nepal followed by the sanitation and environmental pollution (38.24%). They added that pollution in the major cities, including

Kathmandu valley, pollution of garbage, riverside and emission pollution have created a negative effect in the minds of the tourists. So, the experts have suggested that it should be controlled as soon as possible.

The experts viewed that the road transports are also very poor for travelling from Kathmandu to Kakani (Way to Trishuli), Pokhara (a second destination), and Biratnagar and Jhapa the east of Nepal. Even the local roads in many parts of Kathmandu, Patan and Bhaktapur have been found not satisfactory. Similarly, the condition of vehicle facilities was found to be unsatisfactory. Regarding the road transportation facilities, about (26.47%) experts viewed that the condition of vehicles plying on these roads should be improved. Similarly, for the development of tourism, about 20.58 per cent experts viewed that tourists services should be given due attention, followed by travel and trekking agency services (17.65%), immigration procedures (8.82%), rules and regulation of the government (8.82%) and development and modernization of accommodation (5.88%) and visa rate (2.94%). This shows that increment in airline facility, improvement in sanitation, controlling of environmental pollution and development of transportation facilities are the main factors to be solved for the development of tourism in Nepal.

Table 7.52 Areas of Attention for the Promotion of Tourism

Area	Number	Percentage (%)
Dev and modernization of accommodation	2	5.88

Transportation (Road and Vehicles)	9	26.47
Airline Facility	33	97.06
Immigration Procedure	3	8.82
Travel and Trekking Agency Service	6	17.65
Tourist Service	7	20.59
Sanitation and Environmental Pollution	13	38.24
Rules and Regulation of Nepal Government	3	8.82
Visa Rate	1	2.94

Source: Primary Survey 2006

Note: The percentage have been calculated on the basis of the frequency of response of each item to the total.

7.4.8 Sector Responsible For the Development of Tourism in Nepal

Table 7.58 relates to the sector responsible for the development of tourism, about 97.06 per cent of respondents viewed that the government has a significant role for the development of tourism. Government plays various roles in planning, coordinating, controlling and implementing national tourism policies.

Besides, an equal proportion (97.06%) of respondents opined that the role of air transport certainly is a key factor for the growth of international tourism, especially in respect of long distances. They viewed that air travel has a very promising role for the development of tourism.

In a developing country like Nepal private sectors are also equally important for the development of tourism where the government has to do development works in so many sectors like industry, commerce, irrigation, health, sanitation, security, education and so on at one time. As a result, 94.12 per cent experts opined that the responsibility of the private sector is also equally important for the development of tourism. They added that the private sector should be equally active and take initiative for the development of tourism followed by Hotels (35.29%), Travel and Trekking Agencies (23.53%) whereas, 23.53 per cent equally viewed Transport and Media, and INGO (23.53%). Only a small number of respondents (14.71%) expressed municipalities are also responsible for the development of tourism followed by NGO (11.76 %).

Table 7.53 Sector Responsible for the Development of Tourism

Sectors	Number	Percentage (%)
Government	33	97.06
Private sector	32	94.12
NGO	4	11.76

INGO	8	23.53
Airlines	33	97.06
Hotels Accommodations	12	35.29
Travel and Trekking Agencies	8	23.53
Transport and Media	8	23.53
Municipalities/NDC/Ward Committee	5	14.71

Source: Primary Survey 2006

The percentage has been calculated on the basis of the frequency of response of each item to the total sample.

7.4.9 Services of Different Bodies

Government

The experts have expressed their views that the government has a significant role in the formulation of policies, rules and regulation, and law and order in keeping peace and security. Besides this, the role of the government has been defined as facilitation, developing plans and policies, implanting them and acting as a development leader. According to table **7.54** the efforts made by the government, the majority of respondents (47.06%) rated fair followed by good (23.53%) and the same proportion (14.71%) rated excellent and less satisfactory (14.71%).

Private Sectors

In Nepal, private sectors are the leaders in promoting tourism and for giving the tourism pattern in the country. Development of certain area, quality maintenance, image promotion, operation and promotion of tourism business are being carried out by the private sector. Regarding the efforts of the private sector, about 47.66 per cent of respondents rated good, 35.30 per cent rated fair while equal number of respondents (8.82%) rated less satisfactory and excellent (8.82%).

Association

Similarly, there are many private associations (Trade association, Hotel association, Tour guide association, Trekking association, Travel agents association, Media association etc as well as International association), they have been playing a significant role for the development tourism by generating coordination, quality standardization and representation in concerned agencies. Of the total respondents 55.88 per cent rated the efforts of association as fair, 41.18 per cent rated good and 2.94 per cent rated excellent.

INGOs

There are many international organizations which are related to natural, cultural and heritage conservation of Nepal. As such, there are a number of unilateral, bilateral, and multilateral international organizations at both the government and non-government levels, which have come forward at the same time and contributed for the development of tourism in Nepal. Asian

Development Bank is found to be the highest contributor in terms of financial (loans and grants) assistance. The primary focus is on the airport infrastructure development, airport terminal building extension, runway paving and extension, passenger waiting hall, aircraft hanger facilities, airport physical site, improvement on the safety of the aircraft and strengthening national carrier. Similarly JICA occupies the position of the second highest contributor in different tourism related projects. JICA's major focus area is infrastructure safety, modification of TIA, installation of radar system at TIA, high level technical training in radar technology and human resource development in tourism marketing, hotel and catering areas. In recent years, external assistance with the cooperation of International Organizations like SNV, DFID, UNDP, ICIMOD and Eco Himal, etc are increasingly being directed towards integrated projects involving the conservation of natural resources, eco-tourism, and infrastructure developments.

So far as the role of INGO's is concerned about 8.82 per cent respondents rated excellent followed by good (52.94%) and fair (35.30%) while a small per cent (2.94%) rated less satisfactory.

NGOs

The roles of NGOs are also equally important in the area of tourism development in the country. They are also actively involved in tourism training and product development, especially in improving the community based and village tourism by providing highly successful home stay, guest houses and guide training on trekking routes, environment awareness, fight against mal-practices and work to preserve the environment, culture, heritage and society. Regarding the queries about the efforts of NGOs, about 52.94 per cent of the respondents showed their views as fair, 29.41 per cent expressed its efforts as good, 14.71 per cent rated its effort as excellent and 2.94 per cent rated it as less satisfactory.

People

Similarly, there are major role of the people for tourism development. People for tourism development can influence in the reception of guests, creating clean environment, and maintaining the city, village and country by participating in different activities. In fact, people themselves are the resource of tourism activity. Of the total respondents, about 58.82 per cent expressed it fair, 29.41 per cent rated it good and 8.82 per cent rated it excellent, while 2.94 per cent rated its efforts as less satisfactory. People are the biggest assets of the Nepalese, tourism in the form of honest, helpful nature and smiling face and hospitable nature, which have influenced most of the tourists.

Regarding the evaluation of efforts of different bodies for tourism development on the basis of average score, only INGO's effort have been rated sound with a score of 3.7 followed by private sectors (3.6), association (3.6), people of host country (3.5) and

government (3.4). This shows that the efforts made by government seemed least satisfactory compared to others. However, efforts of all the sectors need some improvement.

Table 7. 54 Efforts of Different Bodies for Tourism Development

Rating of Response	Excellent	Good	Fair	Less Satisfactory	Poor	Totals	Sum of cf	Ave Mean
Government	5 (14.71%)	8 (23.53%)	16 (47.06%)	5 (14.71%)	-	34 (100.00%)	115	3.4
Private Sector	3 (8.82%)	16 (47.66%)	12 (35.30%)	3 (8.82%)	-	34 (100.00%)	121	3.6
Associations	1 (2.94%)	19 (55.88%)	14 (41.18%)	-	-	34 (100.00%)	123	3.6
INGO's	3 (8.82%)	18 (52.94%)	12 (35.30%)	1 (2.94%)	-	34 (100.00%)	125	3.7
NGO's	5 (14.71%)	10 (29.41%)	18 (52.94%)	1 (2.94%)	-	34 (100.00%)	121	3.6
People of Host Country	3 (8.82%)	10 (29.41%)	20 (58.82%)	1 (2.94%)	-	34 (100.00%)	117	3.5

Source: Primary Survey 2006

7.4.10 Efficient Customer Service Can Increase the Customer's Satisfaction

The quality of services of the personnel involved in the hotel, airlines and travel trade is the main theme of its success. It is particularly essential that the hotel staffs from the lowest to the top management level are involved in providing much value to the hotel product. Similarly, the process of service adds to the emotional satisfaction of a guest. In the tourism business organization, incidents occur when most of the tourists travel to their destination by certain airline. During their travel by air the incidents occur each time that people and customers come together in an encounter.

In an airlines business the customers have an opportunity to evaluate the quality of service of staff. The process which is involved in producing services can be quite complex, resulting in a large number of critical incidents. At the pre – sale Initial Telephone enquiry, making reservations and issuing tickets are done through the staff while, at the post sale – pre consumption of service - the quality of service of staff in checking their baggage, inspection of ticket, issue of boarding pass, advice on departure gate, quality of airport announcement, and quality of waiting conditions can be evaluated.

Similarly, at the consumption stage also, the quality of service of staff can be judged on the basis of welcome on the boarding aircraft, assistance in finding seats, assistance in showing baggage, quality of announcement, and in the post consumption stage – service of staff can be judged on the basis of information available at the arrival of airport, and queries regarding the lost baggage. The successful accomplishment of each function depends upon the satisfying performance of the staff.

Table 7.55 represents the response regarding the rating of service of staff, the majority of (47.06%) respondents agreed that a good response and service of the staff can increase the customer’s satisfaction and the rapport of the business organization. Similarly, this statement was strongly agreed upon by 26.47 per cent of the respondents, whereas 20.59 per cent rated it as fair, and only a small proportion (5.88%) disagreed with it. However, in general a large number of respondents had agreed to this statement.

Table 7.55 Services of Staff

Rating of Response	Number	Percentage (%)
Strongly Agree	9	26.47

Agree	16	47.06
Fair	7	20.59
Disagree	2	5.88
Strongly Disagree	-	-
Totals	34	100.00

Source: Primary Survey 2006

7. 4.11 Views about the Present Brand ‘Naturally Nepal’

Regarding the present brand ‘Naturally Nepal – once is not enough’ various responses have been observed. This new brand name was revealed on March 5, 2006. This is regarded as a highly commendable approach by the national tourism organization to reposition Nepal in the global tourism market. This brand has been adopted to counter its negative image and rebuild Nepal as a good destination for different types of tourists in the international market. This brand has been adopted by all the travel trade, tourism and other concerned agencies to market Nepal nationally and internationally. Nepal is well suited to both short and long haul destinations.

According to table 7.56 of the total respondents, a major proportion (41.18 per cent) rated it as good. They said that tourism industry once again is moving ahead with renewed enthusiasm fighting against the impression portrayed internationally by the civil unrest and negative messages. Similarly, about 23.53 per cent expressed their view that it is an excellent job done by Nepal Tourism Board and moreover they have chosen the right time because this was the time to tell the world about Nepal, while 29.41 per cent rated it as satisfactory. They said that they were very much satisfied with the slogan. They added that they needed to wait for its outcome and expressed their happiness over this new venture of Nepal Tourism Board, whereas only a small number (5.88%) have shown their expression as unsatisfactory. They expressed that there was no need of promoting Nepal with a new slogan since they were already recognized as a tourism destination in the world. However, in general, the responses were positive to reveal it to the world.

Table 7.56 Rating of Present Brand ‘Naturally Nepal’

Rating of response	Number	Percentage (%)
Excellent	8	23.53
Good	14	41.18
Satisfactory	10	29.41

Less satisfactory	2	5.88
Unsatisfactory	-	-
Total	34	100.00

Source: Primary Survey 2006

7.4.12 Rating of Different Plans and Policies of Government

In Nepal, different plans and policies of the government have been introduced for the development of tourism in the country. An attempt has been made to analyze the views of experts about policies and plans in the tourism sector. According to table 7.57 of the total respondents, about 50.00 per cent rated the government plans and policies are indifferent, followed by satisfactory

(14.71%), less satisfactory (35.29%) whereas, none of the respondents rated it as highly satisfactory and highly dissatisfactory. This shows that tourism plan and policies of the government needs some improvement.

Table 7.57 Rating of Plans and Policies of Government

Rating of Response	Number	Percentage (%)
Highly Satisfactory	-	-
Satisfactory	5	14.71
Indifferent	17	50.00
Less Satisfactory	12	35.29
Poor	-	-
Total	34	100.00

Source: Primary Survey 2006

7. 4. 13 Suggestions to Promote Nepal as a Sustained Destination

The majority of experts suggested that government should give more priority to the tourism industry and declare it as a National Industry. They also suggested that there should be active involvement of both the private sector and the government with due cooperation. The Planning Commission of Nepal makes plans and policies regarding the tourism only with close cooperation of ministries, which flows from a top to down and the grass roots level and private sectors have a rare chance to raise their voice in such planning. The planning is based on the information presented by the concerned offices and there is less chance to interact and make comments on such a planning exercise. The experts viewed that the planning should be based on down to top level, and should hear the voices of the floor, grass roots level as well as private entrepreneurs.

7.5 Conclusion

In this chapter an attempt has been made to assess the tourism development and marketing effort on the basis of views and perceptions collected through the questionnaires and by conducting in-depth interviews with the tourists, tourism business organizations and tourism experts.

Under the profile of tourists, various questions were raised concerning their nationality, age, purpose of visit, decision about the tour, expenditure pattern, duration of stay, choice of accommodation, transportation, destinations and quality of service of hotels. Similarly, they have also been asked about the need of product development, major weaknesses and strengths of tourism product of Nepal.

It was also noticed that holiday/pleasure and business groups were found to have shown their preference for star hotels and their length of stay was reported to short periods, while the other groups i.e. student, researcher, mountaineers and trekkers showed their choices for non star hotels and guest houses. It was also noticed that students, researchers, mountaineers and trekkers generally stayed for longer periods.

Regarding the query about the major weaknesses of tourism products, the majority of tourists were not satisfied with the service facilities provided by NAC relating to the domestic as well as international flights. Besides this, pollution of the environment, lack of maintenance and preservation of natural, cultural and religious heritage sites, frequent Chhaka jam and strikes have brought further disappointment in their minds. However, the major strengths i.e. natural beauties, cultural and religious diversity, and favorable climate, birth place of Buddha, land of Pashupatinath, and Mount Everest have attracted them and made their trips to Nepal more enjoyable. Regarding the query about their valuable suggestion for the development of tourism, they suggested to

develop the new tourism products, diversification of tourist destinations and development of infrastructures in the potential tourist area of Nepal. As people are quality conscious, they also suggested improving the quality of tourism products and services.

Similarly, the second kind of respondents were persons involved in different sectors of tourism organizations i.e. travel agencies, hotel business entrepreneurs, trekking and mountaineering and airlines companies. They were requested to provide their views about the need of product development, product positioning, major difficulties which they have faced. However, regarding the tourism product positioning, the majority of entrepreneurs expressed the same views as the tourists. They suggested to position tourism product on pleasure destination followed by adventure, nature, pilgrimage and so on. Besides this, they emphasized to improve the quality of services of NAC, infrastructure development of TIA, the extension of aircrafts for international flights, road network and standard hotels in potential tourists areas. They also suggested exploring new tourist areas and to diversify tourism destinations along with preservation and maintenance of valuable tourism products.

Similarly, an attempt has been made to collect opinions from tourism experts. They have been asked to provide opinions regarding the problems, prospects, and development of tourism in the national as well as international markets. The majority of experts emphasized the need for new product development, improvement marketing activities, product preservation, and maintenance for the sustainable development of tourism. According to the views of experts the lack of professional man power, strategic marketing planning, research works, limited fund and coordination between private and government bodies were the

main weaknesses of tourism marketing of Nepal. Regarding the query about the product positioning in the international market, they suggested to position tourism market especially in adventure, pleasure, culture, and pilgrimage and others for the medium and high spending categories of tourists. They also emphasized to improve the quality of airline service of NAC by developing and expanding new wide bodied aircrafts for international flights, and to encourage private parties to operate international flights. They further added that the quality of service of domestic airlines should also be updated. Hence, it should be more reliable in its service. Similarly, they recommended for the extension of road net work as well as different categories of accommodations in different potential areas of the country. Likewise, they also emphasized that for the sustainable development of tourism in Nepal, the role of government, private bodies, associations, NGO's and INGO's should be encouraging and they should cooperate and join their hands for the infrastructure, human resource and technological development. They added that as tourism is a labour intensive industry, the role of human resource development is also equally important for the satisfaction of the customers. They suggested making more efforts for the development of the employees. They emphasized that the government should give more priority to the tourism industry and declare it as a national industry, and planning should be based on bottom-to -top level, and should acknowledge the voices of the ground floor/grass roots level as well as private sectors.

CHAPTER EIGHT

Summary, Conclusion and Recommendations

8. 1 Summary

Nepal is known as an important tourist destination in the world due to the presence of natural wealth; cultural, religious and archeological heritages. Due to the fact, since long, tourism has been considered as one of the important and major sources of foreign exchange earnings for Nepal. Apart from this, tourism has been creating significant employment opportunities and many other direct and indirect benefits to the country. Thus, tourism has played a significant role in the Nepalese economy. Despite the tremendous tourism potential, it has not been explored properly due to many constraints like limited air access, poor infrastructure, marketing strategy and proper planning.

Therefore, the basic objectives of this study were to review the current status of tourism service marketing in Nepal, to assess the nature, strengths and weaknesses, opportunities and threats of tourism products; to assess the impact of tourism on the national economy; and to evaluate the customer satisfaction and quality of tourism products and services.

As this study was related to the perception of tourist about the current tourism products and services of Nepal, basically survey and analytical research approaches were used to carry out the research. Both primary and secondary data and information were collected through the design and formation of proper questionnaires. Opinions were collected from 428 international tourists (including Indian) who visited Nepal through different modes of transport, 150 tourism entrepreneurs engaged in different business sectors like hotels, travel, trekking and rafting and 34 tourism experts. Similarly, secondary data were collected from various government and non-government offices, different business organizations pertaining to the tourism, travel trade journals, reports and newspapers etc. Analysis was carried out using descriptive and statistical approaches. Statistical tools like percentage, average, index and simple and multiple regression analysis were used to test the hypothesis.

During the study various important theoretical foundations of tourism and relevant literature on Nepalese perspective were appraised. Similarly, from various publications carried out by different planners, researchers, experts, academicians and professional and foreign experts, published in national and international publications theories were deduced. However, study in the area of tourism service marketing has not been conducted. Primarily, tourism has been inferred as a labour intensive and

service oriented industry and it is deduced that the quality of service of different sectors have a great role for the marketing and promotion of the tourism. Hence, considering the importance of service marketing in the field of tourism as the basic assumption, the study was entirely formulated.

As already discussed, tourism is one of the biggest and the fastest growing industries in the world and is playing a pivotal role in the economy of the developed and developing countries of the world. Referring to the international tourism scenario, it is observed that the receipts have made more than three folds in less than two decades from 1990 to 2007. It is also deduced that as compared to the increase in the international tourist arrivals, the growth of the tourism receipt is proportionately very high.

Regarding the tourist arrivals in the world tourism market, the percentage share of Nepal has remained very much stable i.e. 0.06 per cent within the period of 1990 to 2007 with very gentle fluctuation within the years. However, in terms the world tourism receipts, its share increased from 0.02 per cent in 1990 to 0.03 per cent in 2007. Despite of the immense potentialities and the expenditure in tourism development, percentage share of Nepal was observed to be negligible as compared to the world tourism receipts.

However, in terms of convertible foreign exchange earnings in US\$, Nepal has increased its earning by more than six folds in three decades from 1979 to 2007. With an advantage, in terms of Nepalese rupees, the earnings have increased by around six folds in three decades from 1975 to 2007 with remarkable growth percentage every year.

On the other hand, the tourists per day expenditure in US\$ has almost doubled from 1979 to 2007 in order to make the tourism as a major source of foreign exchange earnings and let it play an important role in the national economy. Nonetheless, the contribution of this sector has remained only 1.4 per cent in the GDP in 2006/07 (Economic Survey, 2007/08). With the perspective of foreign currency earning, employment generation, promotion of art and culture, conservation of heritage, promotion of cottage and small industry, and boosting up of export trade, the importance of tourism is overwhelming. Moreover, tourism helps to promote regional development of the country as well. Hence, the contribution of tourism in the socio-economic development of Nepal is very significant.

It was also observed that among the international visitors traveling during the year 2006 by region, tourist coming to Nepal from Asian countries reflected the highest figure followed by Western Europe and North America. While in terms of nationalities, India constituted the highest source of market of Nepal followed by Sri Lanka, U.K, and France. The majority of the visitors' were within the age group of 31-45 years.

Nepal is not only a popular destination for holiday and pleasure, and trekking and mountaineering, but also is an equally preferable destination for pilgrimage, business and official groups. Most of the trips are organized through tour operators and the trips are accompanied with their friends.

Since the tourism products are not diversified in the overall country, Kathmandu has been reflected as the most popular tourism destination followed by Pokhara, Chitwan, Lumbini, and some trekking trails. The survey shows that Nepal is a cheap destination compared to other SAARC countries and hence, a very small number of visitors are found to spend US\$106 in a day. Travel agents have more control over the international tourists' expenditure as their major expenses are on accommodation and include other amenities in terms of package.

The survey also shows that the main sources of information for tourists are their friends and relatives, followed by travel agents, guide books, and their own experience through their prior visits, which are the strong motivating factors for their visits and revisits.

Relating to the availability of present infrastructure for the development of tourism, more than half of the experts have opined that the present infrastructures for the development of tourism are inadequate. Further they elaborated that there are no sufficient facilities such as road access, airports, electricity and provision for safe drinking water.

Regarding the query about the strategy followed for the development of tourism, the majority of the experts have a view that the development of a new tourism product would be the best strategy for the development of the entire tourism, followed by adding

new value to the existing tourism products. They also suggested improving the marketing activities through effective promotion in the international market and development of additional infrastructures.

Concerning the main weaknesses of tourism marketing of Nepal, lack of strategic planning is indicated as the main weakness of Nepalese tourism marketing, followed by lack of professional manpower, limited promotional fund, lack of research work, and timely publicity. Besides these, the lack of government budget and inability to identify the market are indicated as major weaknesses of tourism products. Further human resource development is indicated as one of the major weakness of tourism marketing of Nepal.

As regards the pricing policy of tourism products of Nepal, the majority of the experts have expressed that a competitive pricing policy would be the best to follow, whereas, some of them have a view that seasonal pricing should be the best policy. They expressed that during the off season; the price should be considerably reduced, and should be increased during the season.

As for the area of attention for the promotion of tourism, the air transport is the main factor for international tourist arrivals in Nepal. Almost all the experts are with the opinion that prior attention should be given to air accessibility. They emphasized that increment in airline facility should be given the highest priority for the promotion of tourism, which is to be followed by the improvement of sanitation and environmental pollution in the major cities.

Regarding the sector responsible for the development of tourism, the majority of the experts opined that the government has a significant role for the development of tourism in planning, organizing, coordinating, controlling and implementing. The role of INGO is also identified to be very important for the financial, infrastructure, technical human resource development, preservation and conservation of natural cultural heritage for the development of tourism.

The role of NGO is also identified to be equally important in the area of tourism development. They are actively involved in tourism training and product development, especially for the improvement of the community based and village tourism with the provision of highly successful home stay, guest houses and guide training on trekking routes, environmental awareness and preservation of the environment, cultural heritage and society.

As tourism is a labour intensive industry, its success depends upon the quality of service provided by the people. The importance of people within the organization has led to a great interest in internal marketing, which recognizes the importance of attracting, motivating, training and retaining quality employees by developing jobs to satisfy individual needs.

With the present brand “Naturally Nepal” as a contemporary approach and the slogan “Once is not enough”, Nepalese tourism industry has felt it necessary to reposition its image in the international tourism market with a popular brand amidst the stiff competition among destinations.

The test of hypotheses showed that foreign exchange earning from tourism was significantly influenced by total number of tourist arrival, total number of hotels and total number of beds. The log linear model best explained the number of tourist arrival, number of hotels and number of beds. However, in the model, the sign of average length of stay was not significant, but the rest were highly significant which indicated other factors influenced the foreign exchange earning. Further, the average income per capita was significantly influenced by the total number of tourist arrival. Similarly, total trade export, total tax revenue, total trade volume and gross domestic product nominal are also highly influenced by income from tourist expenditure.

8. 2 Conclusion

From the study, it can be deduced that tourism is the key resource for sustainable socio economic development. It provides the best platform for business promotion and income generation, preserving the indigenous knowledge and skill.

Nepal is an important tourist destination in the world with its natural beauty and cultural heritage. Mystique nature and unique culture are the major products for the tourism attraction here in Nepal. Immense potentialities have not been explored properly, due to the limited access, poor infrastructure, marketing and promotional activities.

For the development of tourism several important initiatives have been taken viz., development of new tourism product, setting of necessary institutional mechanism and providing priority through plans and policies.

In Nepal, various studies relating to tourism have been carried out, and most of them were confined to the economic impact and do not seem to address tourism in terms of issue of service marketing. Tourism being a highly competitive and sensitive industry, it should be fostered and marketed properly.

Nepal is one of the most attractive countries in the world, which is surrounded by the natural scenery from high mountains to the tropical low-land, she is coupled with a population of diverse, friendly, ethnic and caste groups. As a result, this shows that there is a prospect of pleasure, adventure, culture, sports and nature tourism in Nepal.

From the discussions above, there is a need of tourism marketing and the strategy for the development of tourism. In this respect the following conclusions have been drawn.

Tourism is the most sensitive industry and it is greatly affected by the occurrence of small incidents. So all tourism organizations should cooperate and join their hands for the development of tourism in their respective way. Besides these, the government

should streamline the facilities to the tourism entrepreneurs by making rules and regulations, providing financial support as well as enforcement of law and order for the development of tourism. As the market is highly competitive with the international market, it is better to provide more facilities, and the quality of services to the tourists better than that of other competitors. Organizing more trekking tourism in the country is the most beneficial for raising income at the national level in terms of increasing the tourist's expenditure by increasing their length of stay as well as creating more employment opportunities.

An alternative market segment to raise the level of tourist expenditure is to increase the volume of package travelers. To attract tourists of different segments, investment should be made on the development of infrastructure relating to air access, transportation, communication and promotional activities. In Nepal, various studies relating to tourism have been carried out and most of them confined themselves to the economic impact and did not seem to address tourism as a service marketing issues adequately. Pollution of air, water, sewage and sound should be managed properly and frequent strikes, bandhs, chakka jam and unnecessary hassles to the tourist should be restricted. Political instability as well as Terai unrest is a deterrent in the development of tourism.

8. 3 Recommendations

Based on the analysis, it is derived that the tourism sector is one of the most important sectors for the economic development of Nepal. This study basically concentrates on tourism services marketing; however the relevant recommendations are deemed necessary in related areas wherever improvement is essential. The recommendations are basically made in six broad titles viz., tourism products, tourism infrastructure and services, promotions and marketing and few others like environment, governments role etc.

8. 3. 1 Product

Tourism products are those products which are offered to the tourists to see, experience and to taste.

We have immense saleable tourism products in different forms i.e. nature tourism, health tourism, sport tourism, adventure tourism, pleasure tourism, pilgrim tourism, wildlife, camping and bird watching and many more; and Nepal can be a famous destination for these tourism perspectives. It is recommended to position the tourism market of Nepal into pleasure, adventure, cultural, nature, sport, and ayurvedic tourism in the future.

As of tourists arrival, the numbers are very limited in Nepal compared to our neighboring countries like India, Sri-Lanka, Pakistan and Maldives. We are lacking behind in our economy. But research showed that visitors wanted to experience new things and new products and we have a lot of valuable products like natural beauties to be explored for meeting their wants.

Therefore it is recommended that in addition to concentration of old and existing products, Nepal should develop new products of different form. Similarly, other tourist services are also needed to be added. It is also highly recommended to introduce both urban and rural based tourism products.

The survey suggests that it is the time to consider the demand of children and elderly tourists seriously in product development strategy. It is noticed that most of the Indian visitors come for a family holiday including their children. Therefore, the tourism products suitable for children and facilities to elderly visitors need attention. In a country where there is less number of child visitors, it indicates the deficiency of tourism products for the children. It is also suggested to increase more fun and entertainment facilities for child visitors e.g. increment of a children's park, picnic spots, museum, library and arrangement of games etc.

Nepal has not invested enough money in family friendly product such as picnic areas, play grounds, child friendly museums, and other leisure learning facilities, nor has it marketed itself as a family destination to tourism markets like India where large families will travel together.

Similarly, the elderly visitors from western countries are deprived of a suitable travel menu. Undoubtedly, this has hampered the overall development of the tourism industry of our country. So, recommendation is made for the provision of physical facilities like rest houses, natural health treatment center, and special package tour.

The study shows that female and elderly visitors are more attracted to the shopping, entertainment, pilgrimage, and short trek, while younger age groups are more attracted to short treks, study, research and fun and entertainment. So, it is suggested to develop conducive strategies and programs to suit the interest of the specific categories.

Often holiday and pleasure, adventure, culture, nature, health, and sport tourism are more popular in Nepal for international visitors. As already discussed, recent trends in the area of pilgrimage, river rafting, bird watching, photography, agro and volunteer tourism are also increasing. Hence, more attention is required for the promotion and development of such areas. The tourism industry should be in a position to meet the demand of such visitors and be able to introduce package programs for them.

The study shows that the most popular destinations in Nepal are Kathmandu, Chitwan and Pokhara and Lumbini. Some trekkers do trekking in Annapurna, Langtang and some other popular trekking trails. Overcrowding of tourists in limited areas are the major problems of the country. So, the tourism products should be diversified to other potential areas like Janakpur, Dharan, Palpa, Nuwakot, Trishuli, Jumla, Khaptad, Dolpa, Dhorpatan, Ilam, and so on, which might attract visitors. Therefore it is the right time to increase more infrastructure facilities for the development of such new areas of the country.

Besides this, the influx of international visitors should be managed properly according to the carrying capacity of each area. The new potential places should be developed as tourist places by developing the necessary tourism infrastructure.

Health and leisure tourism demand have drawn the attention of planners and policy makers. Nepal could be converted into a year round tourism destination for health and leisure tourism destination along with adventure tourism. We could also develop products like yoga, meditation, naturopathy, ayurveda, etc during the off seasons. Nepal has numerous locations, which can serve as quiet retreats, away from the stresses of the city. Nepal is likely to gain popularity as a health and leisure tourism destination, because the prices would be cheaper compared to other Asian countries like Thailand, Malaysia, and Singapore.

The study shows that though the number of tourist arrival for holiday and pleasure are always higher in number but their average length of stay is very short. This indicates that there is a lack of recreational as well as shopping facilities for such type of visitors.

So it is highly recommended that recreational as well as shopping facilities should be increased and diversified in different parts of the country, where there is accessibility of good transportation and accommodation.

Nepal is the birthplace of Lord Buddha. Lumbini where Buddha spent his childhood is regarded as the most sanctimonious and revered sites among Buddhists and the entire human civilization. There are billion of Buddhist pilgrims and followers across the world. However we still fail to attract them. Lumbini has not been facilitated, promoted and marketed as expected. Religious tourists are such tourists, they have ample time and strong devotion, making a pilgrimage once in their life time is of utmost importance.

Our priority should be to make Lumbini a must- visit destination for all Buddhist pilgrims and follow Buddha's philosophy of peace and harmony. For this we need to develop promotional strategies based on the current trend of global tourism.

Similarly, Pashupatinath temple is one of the most venerated temples for millions of Hindus who have a desire to visit the site once to pay respect to Lord Shiva. Hence, there is a great deal of promotional activities that need to be carried out to attract such visitors who have strong faith and devotion. They will surely visit since cost and distance are of the least priority for them and no political, social and economic barrier or disturbances can stop them.

There are most important tourism products like historical and archaeological sites of Nepal. Nepal is famous in the world for the temples, idols, cultural and religious sites, arts, crafts and architecture. But arts, which are the mirror of the past society, are not properly conserved and maintained and their condition was found to be degrading day by day by men and animal. For the sustainable development of tourism and realizing its importance, these products should be maintained, updated and preserved properly. Both the government and the local people should give due attention for the development and enhancement of such products.

The study reveals that, the majority of tourists coming to Nepal are low spenders, therefore efforts should be made to attract medium and high spending category of tourists with the offering of good quality of products and services and measurement of their satisfaction.

Regarding the quality of air service facilities provided by the Tribhuvan International Airport almost half of the visitors were dissatisfied. Services of domestic airlines of NAC are still unreliable and incompetent due to its inappropriate management. Cancellation and delay of internal flights have become a regular process.

It is agreed that the availability of quality tourism products and services can attract the quality tourists. It is also noticed that deluxe five star hotels, deluxe vehicles, services and facilities are only available in the urban and city area of Kathmandu, and the

number of such products and services are very rare in other parts of Nepal. It is also highly recommended to extend these facilities and services to other tourist places of the country.

Similarly, the survey shows that there are high influxes of low and medium spending tourist in Nepal. As a result, to gain more economic benefits, Nepal must try to attract high and middle category tourists by improving in the quality of products, services and facilities comparatively at a reasonable price.

8. 3. 2 Tourism Infrastructure and Service Facilities

We have foreseen the positive future of tourism and catered to increased number of tourists, for which, we need better infrastructure. Adequate infrastructure is essential for the successful development of tourism. It can be particularly a critical factor for less developed countries. It is obvious that the development of tourism is not possible without the development of infrastructure and service facilities.

Since international tourism in Nepal is heavily dependent on air services. It is absolutely necessary that it should receive the utmost importance. But it should be noticed that there are inadequate direct air connections from Nepal with those important tourist generating countries of the world. In the absence of such facilities the potential tourists have to come to Nepal transiting through different countries which must be quite bothersome and discouraging.

Realizing the problem of air seat capacity and lack of direct link with major tourist generating markets of the world, the study suggests encouraging private airline to operate international flights which would help the country in the long term, and we do not need to depend on international airlines companies. Since air connectivity is considered as a major hindrance for the development of tourism industry in Nepal, the domestic airlines facilities should also be increased.

Due to the increase in the number of tourists and frequency of flights, TIA, the only airport of the country has really become congested and unable to provide quality service to the visitors. Therefore, efforts should be made to extend the area of the airport itself and to equip it with modern and sophisticated equipments.

Moreover, the quality of service should be given the top most priority for the convenience of the visitors. It is thus highly suggested to develop immediately another international airport preferably in the Terai regions as well as in Lumbini (Bhairahawa) that would be technically and economically viable.

It is said that quality is very important, so efforts should be made to control the quality of products and services which are to be sold to the tourists. It would be advisable to improve the efficiency of the airlines through the new energetic, experienced and qualified team of managers and let the management work in a free environment without any intervention from the government and the pressure from any political parties.

It is also suggested that to keep away from political intervention in the management of this organization, all powers (appointment, selection, hiring, reward and punishment) should be vested in the hand of an executive body and not from a politically backed force.

Passengers have also frequently complained about the baggage delivery system at TIA takes a longer time. As per the rule, the baggage should reach within 15 minutes after the aircraft landing, but it always takes more time at the airport. The open area baggage delivery and the manual system that is still followed also give more possibility for thefts, which is a growing problem at the airport. So the airport should have an enclosed area for baggage with a facility of an automatic system.

It is obvious that the access of roads to potential tourist spots is extremely limited. Therefore, the road network should be well developed to diversify the tourism industry. Moreover, the existing road conditions should be properly improved, and it is necessary to develop roads linking to attractive tourists' spots.

Accommodation is one of the vital infrastructures for the development of tourism which is said to be both a capital intensive and a labor intensive industry. As it is capital intensive, it needs a big amount of investment in luxury hotels, tourist lodges and other necessary services. It is also labor intensive because it creates various employments in the classified hotels and has employed many skilled, semi-skilled and unskilled people. Hotel industry, as elsewhere, requires a great deal of personal service, which would be difficult to mechanize or automate.

It is also known that most of the graded hotels are located in Kathmandu valley and there is little provision of good hotels in different parts of the country. In some of the places during traveling, tourists are compelled to have unhygienic food which the hoteliers have provided for them. So, it is recommended that the graded hotels facilities should be provided in other parts of the country and its quality should be monitored by different authorities.

The government should help and encourage the local people of different trekking routes to run small standard hotels, restaurants and lodges. The government has to provide the hotel management and tourist guide training on the spot and provide them

financial support through the banks, which are located near their places. For their encouragement, the government has to provide them bank guarantee and request the bank to finance loan at a low interest. Besides this, the government should cut down its taxes for those already established hotels, which are running in a financially weak condition.

Considering the role of telecommunications for tourism development, facilities should be made available to potential tourism areas and in major trekking trails from a safety and security point of view. Similarly, rescue and medical facilities should be made available at such places where there are natural scenic and adventure spots.

The cut throat competition among service providers has become a common phenomenon in the tourism industry leading to competitive prices cutting at the cost of the quality of service. This has turned Nepal into a cheap tourist destination. It is really a serious issue, so that the concerned authority should monitor the prices charged and the quality of service offered by them. In fact, the cut throat competition among the service providers is the side effect of a liberal economic policy adopted by the government. Therefore it is desirable that in the name of liberal economic policy the license to service sectors should be strict and the regular monitoring system should be done in order to maintain the quality of tourism services.

Regarding the needs for the development of tourism products, the majority of tourists have suggested the need for new products followed by the need to preserve and present as it is now, modify the product to suit the target market and combining product

features. As there is high competition within the neighboring markets i.e. India, Sri Lanka Malaysia, and Singapore, so the new products should be developed and existing products should be improved for the attraction of tourists.

Similarly, regarding the product positioning in the international market, the majority of tourists and experts suggested concentrating on pleasure tourism, followed by adventure, culture, pilgrimage and nature tourism. Nepal is one of the most attractive countries in the world coupled with a population of diverse, friendly, ethnic and caste groups. The study suggests positioning the tourism market of Nepal into pleasure, adventure, culture, pilgrimage and others.

In Nepal there are lots of things to see and explore and Nepal is full of interesting places and landmarks like temples, monasteries, museums and places. Besides this, many of them come to Nepal to enjoy outdoor sports or learn about the cultures and traditions of our country, whereas others come to explore the beauty of this gifted nation. In order to fulfill their desire, they need to be accompanied and directed by trained guides.

However, a guide has to understand the aptitude of the person he is accompanying and then work according to it because the authentic guides are the ones, who are truly devoted to their profession. So the guide should be quality conscious, trained and act like a professional. It is also said that a well trained guide can undertake tactical measures to solve the problem and helps one to

acquire an accurate knowledge of the facts. Generally, the hotel and travel agency should provide professional guides and tour packages to the tourists for their convenience.

As the theme of this study is the customer service, it is a philosophy in which all employees feel and act accountable for creating customer's satisfaction. For this, everyone in the business organization should be responsible and work to exceed the customer's expectations. The treatment of the customer is more powerful than the money spent on advertising. It is said that advertising only draws customers towards organization. But it is the organization's performances that brings them back or chases them away.

Development of basic tourism infrastructure in the potential areas plays a vital role in the development of tourism. So, the basic infrastructure such as renovation and construction of trails, bridges, monasteries, resting places, and drinking water and small irrigations, etc. have to be developed in the potential tourist spots, which will greatly benefit the local people, people for neighboring villages and the country as a whole.

8. 3. 3 Promotion and Marketing

Tourists from diverse areas and interests have different things to do, experience and enjoy. So in order to bring light to the necessary potential products and activities, events and festivals, sports, such as tennis, golf, water sports summer recreation camps , winter recreation camps, documentation through research-based books, profiles, CDS and documentations are essential.

In Nepal, there still remains a lot of product, areas and activities which are unexplored, unrecognized and undeveloped. So in order to bring light to the unrecognized potential products and activities, it is recommended to focus events and festivals through the research based books, profiles, CD's and documentaries.

The majority of tourists have expressed that word of mouth and personal recommendations from their friends and relatives are the main sources of information for them followed by travel agents, guide books and prior visit. This sharply indicates a need for Nepal to concentrate its marketing activities in two areas viz., public relations and travel trade marketing.

Tourism activities require active involvement and mutual cooperation among various stakeholders and partners both in national and international levels. Similarly seminars, conference and interaction play a vital role in bringing together all players at the same point in order to make discussions, reviews, observations and decisions on vital issues pertaining to Nepalese tourism.

Promotion is one of the important activities of tourism marketing. The effectiveness of promotional activities can be measured in terms of cost benefit analysis. However, as it is a very difficult task the promotional activities should be conducted on the basis of a planned way, and it also needs to fulfill certain processes like analyzing the market ,setting the objectives, developing a promotional budget, choosing a promotional mix, and control.

The survey showed that Nepal has not given due attention towards the promotion of tourism. Nepal has not been able to utilize the services of CNN, BBC, ZTV, Star TV channels at the desired level. Due to the budget constraints, the government alone is not in a position to allocate a sufficient budget for tourism promotion and marketing.

Thus the private business unit should come forward to join hands with the government for promotion and marketing of tourism. The utilization of Nepalese Embassies and Consulate offices abroad can be the best institution for providing information about Nepal.

Absence of Tourist Information Centre in most foreign countries, to display Nepal's cultural diversities, adventure and pleasure is being seen as a major drawback in the field of tourism business. So, it is recommended to open tourist information centre in most of the countries in coordination with international tour operators and the concerned government agencies to expose Nepal as a suitable site for cultural, adventure, natural and pleasure tourism destination.

It is important to develop Nepal as a cultural tourist destination with the conservation and promotion of historical, cultural and religious places and monuments, as well as a living cultural heritage. In the changed context of the situation of the country, we need to involve ourselves in an extensive international publicity.

Nepal possesses a diverse attraction on nature, culture, religion, socio-economic and traditional livelihood according to geographical proximity. Nepal's remote and rural areas can offer exotic experiences which one cannot find elsewhere else in the world. To cash and make sustainable use of these resources for livelihood of the local people, it is important to propagate community level awareness, understanding and knowledge about the development. So it is recommended to the concerned bodies to apply the Appreciative Participatory Planning and Action which TRPAP had used.

8. 3. 4. Environment

Environment and tourism are interdependent. They support each other. If there is no congenial environment, tourism development and promotion will be hindered.

Nepalese mountains are mind-blowing. But the news like Everest becoming a dumping site is very painful and the nature lovers feel pity about such tendencies. So it is recommended that a strict monitoring of tourists and traveler's activities be made. To control environmental degradation, we should also raise awareness and avoid using plastic products and bottles for food and drinks.

At present, nature is treated as a final product of tourism. Hence, it should be sold as it is and it should not be touched, destroyed or tamed, and it should be protected to ensure the continuity of the tourism industry. Environment is the most powerful magnet to attract the tourists. With the growth of trekking and mountaineering and other adventure activities in the mountain region, various kinds of environmental pollution have appeared, and one of the main problems faced by Nepalese tourism is the deteriorating conditions of the environment. We need to evaluate the environmental impact of tourism. This is evident from the deforestation, littering, solid waste, pollution and overcrowding in tourist routes and sites. It is most urgent to mitigate such pollution and initiate appropriate steps. So, it is recommended that the concerned bodies divert trekkers and mountaineers from most popular trekking regions to other places. Tourist must be diverted from Annapurna, Khumbu, and Langtang region to other less pressurized regions like the far western and eastern regions.

Pollution in the major cities, including Kathmandu Valley, visual pollution of garbage, riverside pollution, and emission pollution have created a negative effect in the mind of the tourists. Besides this, the pile of visual garbage is not only a visual

embarrassment but it is equally hazardous to the health of the people. On the other hand, it is really a matter of shame for all Nepalese that tourists have been traveling at different historical monuments and major areas on the cities with their masks on. So it is suggested that it should be controlled as soon as possible, with coordinated efforts of the government, private parties, local people and municipalities of the cities.

Pokhara is the hub of all tourism activities of the western Region. Lakes are the key to the future of sustainable tourism growth in Pokhara and in the western region. Since the lakes like Fewa are getting dirtier day by day, its natural attraction is decreasing consistently and its original beauty has been degrading causing unwanted water weeds like Jal Kumbhi, which not only encroach into the water, but also give a negative impression. A clean up campaign is necessary every year and all the stakeholders should cooperate in this matter.

8. 3. 5. Government's Role

The government's role is also very important for the development of tourism. All forms of violence must come to an end with immediate effect for the economy to flourish. As all these types of *bandhs* and *chhaka jam* leave a negative impact in the country's tourism, it is suggested to the government to make the service oriented sector including hotels a strike free zone. Since the hotel is a very sensitive segment, such strikes and sudden closure will have a direct negative impact on the tourists who will

be staying in such hotels. It may be possible only if both the private and the public sector join hands and cooperate with each other. The message of peace should also reach to the international media for wider dissemination.

It is also important for the government to develop all kinds of industry in the country including tourism. Simply allocating the budget by the government will not make sufficient environment for tourism development. There are many activities in the tourism industry, conducted by the private sectors. So, to develop tourism in a coordinated approach, the government should take the supportive attitude towards the private sector for comprehensive tourism development. Also the government has to develop a conducive tourism policy with rules and regulations.

The problem of street children is increasing day by day. In the streets of major cities like Kathmandu, where most of the tourists are seen, urchins and children loiter around and homeless persons stay in the streets with their belongings. This may not give a good impression to the visitors especially when the same children start to harass tourists by asking for money and causing problems to pedestrians unless some money is given to them. This problem has been increasing gradually and it is the time for the concerned sector to think on the issue and solve the problem.

The government has a significant role in the preparation of the plan, policies and implementation of rules and regulations as a development leader. It should be active in maintaining law and order in the country. The government has to fine those who break the rules and regulations.

There is no equipment and technology to know whether the passport is genuine or not; and normal civil servants serving the department face a serious bottleneck. Similarly, the leading tourism entrepreneurs, hotel managers and travel agents have a whole set of complaints. The government should be vigilant in this matter coordinating with the other concerned governments through their diplomatic missions.

Most of the tourists were harassed by brokers, beggars, taxi-drivers, rickshaw pullers and so on during their visit in Nepal. The taxi drivers and rickshaw pullers and brokers charge excessively high rate to the tourists. Because of the lack of a proper checking mechanism, this type of practice prevails. Such actions should be immediately controlled by the concerned agencies, for example, the police have to be aware of the issue and be committed to eliminate such malpractices.

8.3.6 Action Recommendations

The government should disseminate positive information about Nepal at the international level through mobilizing its embassies, students, and tour operators of different countries.

Under the new democratic setup, the government has to develop open attitudes, and draw the attention of foreign investors to Nepalese tourism.

The Government should assign new rules to all Nepalese ambassadors and encourage them to play a creative role for the promotion and expansion of tourism. Tourism development process should be decentralized and local communities' participation for conservation and development should be encouraged. The Government should provide maximum facilities to the private parties, by making available low interest loan facilities, simplifications of rules and regulations and protect them when they are in difficulty.

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Tourist Arrival by Country of Residence (1986 – 2007)

Annex- A

Country	1986	1990	1992	1994	1996	1998	2000	2002	2004	2005	2006	2007
Australia	11072 (5.0)	10249 (4.0)	8871 (2.7)	7947 (2.4)	9720 (2.5)	11132 (2.4)	12189 (2.6)	7159 (2.6)	9671 (2.5)	7093 (1.9)	8231 (2.1)	12369 (2.3)
Austria	2791 (1.2)	2624 (1.0)	3119 (0.9)	2927 (0.9)	4163 (1.1)	4603 (1.0)	5221 (1.1)	3140 (1.1)	4341 (1.1)	3007 (0.8)	3474 (0.9)	4473 (0.8)
Canada	4398 (2.0)	4917 (1.9)	5167 (1.5)	4432 (1.4)	5480 (1.4)	7136 (1.5)	8590 (1.9)	3747 (1.4)	4825 (1.3)	4168 (1.1)	4733 (1.2)	7399 (1.4)
Denmark	2257 (1.0)	2840 (1.1)	3265 (1.0)	3332 (1.0)	4454 (1.1)	4781 (1.0)	4847 (1.0)	2040 (0.7)	2633 (0.7)	1770 (0.5)	1956 (0.5)	3157 (0.6)
France	15117 (6.8)	19909 (7.8)	22669 (6.8)	18638 (5.7)	19913 (5.1)	21992 (4.7)	24506 (5.3)	13376 (4.9)	18936 (4.9)	14108 (3.8)	14835 (3.9)	20250 (3.8)
Germany	15636 (7.0)	18565 (7.3)	23887 (7.1)	44530 (13.6)	24963 (6.3)	23862 (5.1)	26263 (5.7)	15774 (5.7)	16025 (4.0)	14345 (3.8)	14361 (3.7)	21323 (4.0)

India	55195 (24.7)	59764 (23.4)	106574 (31.9)	102540 (31.4)	122572 (31.1)	143229 (30.9)	95915 (20.7)	66777 (24.2)	90326 (23.4)	95685 (25.5)	93722 (24.4)	96010 (18.2)
Italy	9474 (4.2)	11952 (4.7)	13427 (4.0)	9715 (3.0)	10258 (2.6)	12864 (2.8)	11491 (2.5)	8057 (2.9)	12376 (3.2)	8785 (2.3)	7736 (2.0)	11243 (2.1)
Japan	12133 (5.4)	15021 (5.9)	19533 (5.8)	19478 (2.8)	28923 (7.3)	37386 (8.1)	41070 (8.9)	23223 (8.4)	24231 (6.3)	18239 (4.9)	22242 (5.8)	27058 (5.1)
Netherlands	4372 (2.0)	5972 (2.3)	9478 (2.8)	8669 (2.7)	8718 (2.2)	14403 (3.1)	16211 (3.5)	8306 (3.0)	11160 (2.9)	8947 (2.4)	7207 (1.9)	10589 (2.0)
Spain	4229 (1.9)	8515 (3.3)	11272 (3.4)	6228 (1.9)	8658 (2.2)	8832 (1.9)	8874 (1.9)	5267 (1.9)	11767 (3.1)	8891 (2.4)	10377 (2.7)	15672 (3.0)
Switzerland	5298 (2.4)	5278 (2.1)	5914 (1.8)	4921 (1.5)	5961 (1.8)	6644 (1.4)	6230 (1.3)	3352 (1.2)	3788 (1.0)	3163 (0.8)	3559 (0.9)	5238 (1.0)
Sri Lanka	903 (0.4)	1536 (0.6)	858 (0.3)	888 (0.3)	5758 (1.5)	11031 (2.4)	16649 (3.6)	9805 (3.6)	16124 (4.2)	18770 (5.0)	27413 (7.1)	49947 (9.5)
U.S.A.	23553 (10.5)	21426 (8.4)	22189 (6.6)	21646 (6.6)	25155 (6.4)	35902 (7.7)	40442 (8.7)	17518 (6.4)	20680 (5.4)	18539 (4.9)	19833 (5.2)	29783 (5.7)
U.K.	17740 (7.9)	23877 (9.4)	26492 (7.9)	622504 (6.9)	29466 (7.5)	35499 (7.7)	37765 (8.1)	21007 (7.6)	24667 (6.4)	25151 (6.7)	22708 (5.9)	32367 (6.1)
Others	39163 (17.5)	42440 (16.7)	51638 (15.4)	4805 (14.7)	78511 (19.9)	84388 (18.2)	107383 (23.2)	66920 (24.3)	11745 (29.5)	124737 (33.2)	121539 (31.7)	176312 (33.5)
Total	22331	254885	334353	326531	393613	463884	463646	275.468	385297	375398	383926	526505

	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100)
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Source: Nepal Tourism Statistics 2007, MoCTCA

Tourist Arrival in Nepal by Continents (1962 – 2007)

Annex - B

Year	North America	Central & South America	Western Europe	Eastern Europe	Africa	Asia	Australia & Pacific	Others	Not Specified	Total
1962	3724 60.3%	54 0.9%	1980 32.0%	22 0.4%	8 0.1%	250 4.0%	117 1.9%	24 0.4%	-	6179 100.0%
1966	5836 46.4%	73 0.6%	5024 40%	217 1.7%	27 0.2%	965 7.7%	425 3.4%	0 0.0%	-	12567 100.0%
1970	15992 34.8%	584 1.3%	22346 48.6%	440 1.0%	100 0.2%	3841 8.4%	2667 5.8%	0 0.0%	--	45970 100.0%
1974	17161 19.1%	844 0.9%	40455 45.0%	960 1.1%	184 0.2%	24782 27.6%	5405 6.0%	47 0.1%	- -	89838 100.0%
1978	23545 15.1%	1927 1.2%	66876 42.8%	1522 1.0%	475 0.3 %	52438 33.6%	9214 5.9%	126 0.1%	- -	156123 100.0%

1982	20012 11.4%	1754 1.0%	68696 39.2%	1414 0.8%	768 0.4%	73817 42.1%	8424 4.8%	563 0.3%	- -	175448 100.0%
1986	27951 12.5%	1749 0.8%	85453 38.3%	2696 1.2%	532 0.2%	84834 38%	13505 6.0%	6611 3.0%	- -	223331 100.0%
1990	26343 10.3%	1872 0.7%	11075 43.5%	3275 1.3%	611 0.2%	98320 38.6%	13108 5.1%	606 0.2%	- -	254885 100.0%
1991	24027 8.2%	2202 0.8%	110425 37.7%	3126 1.1%	956 0.3%	140025 47.8%	10476 3.6%	1758 0.6%	- -	292995 100.0%
1992	27356 8.2%	2727 0.8%	132555 39.6%	2553 0.8%	1263 0.4%	15632 46.8%	10893 3.3%	694 0.2%	- -	334353 100.0%
1993	25283 8.6%	2612 0.9%	122064 41.6%	3016 1.0%	985 0.3%	128812 43.9%	9806 3.3%	989 0.3%	- -	293567 100.0%
1994	26078 8.0%	3083 0.9%	132518 40.6%	2664 0.8%	915 0.3%	150982 46.2%	9905 3.0%	386 0.1%	- -	326531 100.0%
1995	29702 8.25	3049 0.8%	133809 36.8%	3860 1.1%	1073 0.3%	180377 49.6%	11499 3.2%	26 0.0%	- -	363395 100.0%
1996	30635 7.8%	4230 1.1%	132787 33.7%	6114 1.6%	1775 0.5%	205809 52.3%	12233 3.1%	30 0.0%	- -	393613 100.0%
1997	36301 8.6%	4554 1.1%	137028 32.5%	6416 1.5%	1645 0.4%	222849 52.8%	13047 3.1%	17 0.0%	- -	421857 100.0%
1998	43038 9.3%	5937 1.3%	151070 32.6%	6741 1.5%	1795 0.4%	240460 51.9%	14635 3.2%	8 0.0%	- -	463684 100.0%

1999	46910 9.5%	6096 1.2%	164913 33.6%	6723 1.4%	1875 0.4%	249793 50.8%	15207 3.1%	5 0.0%	- -	491504 100.0%
2000	49032 10.6%	6076 1.3%	159325 34.4%	6992 1.5%	2040 0.4%	224532 48.4%	15641 3.4%	8 0.0%	- -	463646 100.0%
2001	39120 10.8%	4634 1.3%	131661 36.4%	6201 1.7%	1596 0.4%	164989 45.7%	13036 3.6%	0 0.0%	- -	361237 100.0%
2002	21265 7.7%	2793 1.0%	87912 31.9%	5276 1.9%	1132 0.4%	148670 54.0%	8420 3.1%	0 0.0%	- -	275468 100.0%
2003	22992 6.8%	2262 0.7%	95162 28.1%	6451 1.9%	1612 0.5%	200045 59.2%	9608 2.8%	0 0.0%	- -	338132 100.0%
2004	25505 6.6%	4373 1.1%	116505 30.2%	7661 2.0%	1161 0.3%	218387 56.7%	10947 2.8%	0 0.0%	758 0.2%	385297 100.0%
2005	22853 6.1%	3559 0.9%	98046 26.1%	8263 2.2%	1302 0.3%	230282 61.3%	8317 2.2%	0 0.0%	2776 0.7%	375398 100.0%
2006	24566 4.7%	4764 0.9%	97278 18.5%	10613 2.0 %	1125 0.2 %	231812 44.0%	9763 1.9%	0 0.8 %	4005 1.0%	383926 100.0%
2007	37180 7.1%	6486 1.2%	140630 26.7%	16634 3.2%	1350 0.3%	304225 57.8%	14506 2.8%	2177 0.4%	3515 0.7%	526705 100.0%

Source: Tourism Statistics, 2004, 2005, 2006, and 2007, MoCTCA

Tourist Arrival by Month (1990- 2007) (Excluding Indians)

Annex – C

Year	Jan.	Feb.	Mar.	Apr.	May.	June.	July.	Aug.	Sept.	Oct.	Nov.	Dec.	Total
1990	15937 8.0%	19401 9.7%	24757 12.6%	15654 8.0%	8411 4.2%	5037 2.5%	8509 4.3%	15386 7.8%	14933 9.1%	29239 14.7%	21429 10.8%	16428 8.3%	195121 100%
1991	13299 6.6%	14320 7.2%	19908 10.0%	17471 9.0%	9167 4.5%	6279 3.2%	11415 5.6%	17103 8.5%	16526 8.2%	30663 15.2%	25449 12.6%	18889 9.4%	200489 100%
1992	12560 5.5%	20331 9.7%	24792 11.0%	20295 9.0%	11380 5.0%	7264 3.1%	12708 6.0%	20198 8.8%	18442 8.0%	33834 15.0%	25862 11.3%	20113 8.6%	227779 100%
1993	14147 7.0%	18164 8.6%	25200 12.0%	14594 7.0%	9355 4.4%	8536 4.0%	9076 4.3%	16671 8.0%	18293 8.7%	34415 16.3%	23715 11.2%	18039 8.5%	210205 100%
1994	14795 6.6%	19794 8.8%	24856 11.0%	19778 8.8%	12244 5.4%	8561 3.8%	13352 5.9%	20524 9.1%	21289 10.0%	30063 13.4%	20556 9.1%	18179 8.1%	223991 100%
1995	15758 6.4%	19482 8.0%	25381 10.3%	23419 9.5%	12491 5.0%	9270 3.7%	14141 5.7%	20211 8.3%	22344 9.1%	38398 15.6%	28177 11.4%	17063 7.0%	246135 100%
1996	17678 6.5%	23629 8.7%	31738 12.0%	25458 9.3%	14042 5.1%	9777 3.6%	13724 5.0%	21833 8.0%	23201 8.5%	38139 14.0%	29221 11.0%	22661 8.3%	271101 100%
1997	16856 5.8%	24151 8.3%	33389 11.6%	24343 8.4%	14836 5.2%	9973 3.5%	16024 5.5%	24772 8.6%	24344 8.4%	46110 16.0%	30712 10.7%	22909 8.0%	288419 100%
1998	20124 6.2%	27855 8.6%	33079 10.3%	28997 9.9%	15647 4.8%	11195 3.4%	15724 5.0%	26387 8.2%	29241 9.1%	49787 16.0%	38587 12.0%	23814 7.4%	320455 100%
1999	20554 5.8%	29259 8.4%	38158 10.8%	29637 8.5%	22305 6.5%	12731 3.6%	16782 4.7%	29402 8.4%	33650 9.5%	54099 15.5%	38835 11.0%	25431 7.3%	350843 100%

2000	21092 5.7%	33939 9.3%	38959110. 5%	36430 10.0%	18658 5.0%	12036 3.2%	16842 4.5%	27205 7.3%	34643 9.4%	51100 14.0%	45318 12.3%	31509 8.5%	367731 100%
2001	25158 8.5%	32763 11.0%	40684 14.0%	32211 11.0%	17406 6.0%	8929 3.0%	13965 5.0%	21658 7.2%	26132 7.3%	37198 13.0%	25795 9.0%	15018 5.0%	296917 100%
2002	13180 6.3%	16960 8.2%	25102 12.0%	16877 8.0%	11751 6.0%	8338 4.0%	9962 4.7%	15515 7.4%	18768 9.0%	30251 14.4%	24044 11.5%	17943 8.5%	208691 100%
2003	15659 6.3%	19321 7.6%	22260 8.8%	20303 8.0%	15288 6.0%	7835 3.2%	13607 5.4%	19149 7.6%	22577 9.0%	38040 15.2%	31750 12.6%	25980 10.3%	251769 100%
2004	22947 7.7%	28743 9.7%	35468 12.0%	26279 9.0%	15581 5.3%	9776 3.3%	17070 5.7%	27657 9.3%	21829 7.5%	38104 13.0%	29330 10.0%	22187 7.5%	294971 100%
2005	19531 7.2%	17061 6.2%	25847 9.2%	18311 6.5%	15438 5.5%	11170 4.1%	14921 5.3%	26119 9.3%	27413 9.8%	40553 14.5%	34778 12.4%	27822 10.0%	278964 100%
2006	21126 7.2%	21320 7.3%	30169 10.4%	18435 6.4%	13517 4.6%	11841 4.1%	15066 5.2%	24966 8.6%	26327 9.1%	43026 14.8%	37402 13.0%	27009 9.3%	290204 100%
2007	25857 6.0%	33133 7.7%	48022 11.1%	32794 7.6%	23296 5.4%	18937 4.4%	26160 6.1%	37658 8.7%	38813 9.0%	65745 15.3%	46822 10.9%	33458 7.8%	430695 100.0%

Source: Nepal Tourism Statistics Annual Statistical Report 2006 & 2007, – MoCTCA- Government of Nepal.

Indian Tourist Arrivals by Months (1990- 2007)

Annex - D

Year	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Total
1990	3710 6.2%	4427 7.4%	3725 6.3%	2447 4.1%	5173 8.6%	6582 11.0%	5294 8.8%	4793 8.0%	6891 11.5%	5736 9.6%	4748 8.0%	6238 10.5%	59764 100%
1991	4618 5.0%	5062 5.5%	5415 5.8%	6250 6.7%	12785 13.8%	13529 14.7%	7947 8.5%	7326 8.0%	6698 7.3%	8676 9.4%	7058 7.6%	7142 7.7%	92506 100%
1992	4891 4.6%	7158 6.7%	6713 6.3%	10387 9.7%	17709 16.6%	15205 14.3%	8234 7.7%	7140 6.7%	6397 6.0%	8813 8.3%	6479 6.1%	7448 7.0%	106574 100%
1993	5091 6.1%	5767 7.0%	5618 6.7%	5527 6.6%	11230 13.5%	11066 13.3%	4512 5.4%	4912 5.8%	5646 6.7%	7827 9.4%	6663 8.0%	9503 11.5%	83362 100%
1994	6940 6.8%	5078 5.0%	6730 6.6%	7514 7.3%	13988 13.6%	14346 14.0%	6387 6.2%	7086 6.9%	6670 6.5%	9330 9.1%	7452 7.3%	11019 10.7%	102540 100%
1995	6449 5.5%	8758 7.4%	8838 7.5%	10575 9.0%	15352 13.0%	16380 14.0%	9839 8.3%	7475 6.4%	8225 7.1%	8447 7.3%	7605 6.5%	9317 8.0%	117260 100%
1996	10208 8.3%	6047 5.0%	7598 6.2%	10873 9.0%	15686 12.8%	16972 13.8%	8960 7.3%	7247 6.0%	8980 7.3%	9175 7.5%	8429 6.8%	12337 10.0%	122512 100%

1997	8729 6.6%	8710 6.5%	9788 7.3%	10886 8.1%	18620 14.0%	16394 12.3%	10067 7.3%	10777 8.1%	7637 5.7%	10162 7.6%	9461 7.0%	12207 9.2%	133438 100%
1998	8698 6.0%	10101 7.1%	8241 5.7%	12090 8.5%	20167 14.1%	17986 12.5%	12171 8.5%	9787 6.8%	10423 7.4%	12700 8.8%	8816 6.2%	12049 8.4%	143229 100%
1999	9198 6.5%	8875 6.4%	8060 5.7%	11137 8.0%	20407 14.5%	18318 13.0%	10411 7.4%	9047 6.4%	10467 7.4%	12444 8.8%	10030 7.2%	12267 8.7%	140661 100%
2000	4215 4.4%	5020 5.2%	5985 6.2%	7205 7.5%	9705 10.1%	14897 15.5%	7638 8.0%	7465 7.8%	8880 9.3%	8095 8.4%	7675 8.1%	9135 9.5%	95915 100%
2001	5296 8.2%	5917 9.2%	6025 9.3%	6872 10.6%	10939 17.0%	4101 6.5%	4364 6.8%	3664 5.7%	5038 7.8%	4047 6.4%	4487 7.0%	3570 5.5%	64320 100%
2002	3996 6.0%	3708 5.5%	3713 5.6%	4376 6.6%	8136 12.3%	8880 13.3%	6659 10.0%	5578 8.3%	4984 7.4%	5021 7.5%	4679 7.0%	7047 10.5%	66777 100%
2003	5556 6.5%	5028 5.8%	5477 6.3%	5548 6.4%	7416 8.6%	12516 14.5%	9054 10.4%	8419 9.7%	6147 7.2%	7419 8.6%	6648 7.7%	7135 8.3%	86363 100%
2004	8041 9.0%	6888 7.6%	8822 9.8%	7235 8.0%	11221 12.4%	10017 11.1%	7790 8.6%	5505 6.0%	3667 4.1%	5269 5.8%	7051 7.8%	8820 9.8%	90326 100%
2005	5946 6.2%	3277 3.4%	4028 4.2%	5103 5.3%	10103 10.5%	11438 11.8%	9075 9.4%	10791 11.2%	8653 9.0%	10945 11.3%	6727 7.0%	10348 10.7%	96434 100%
2006	7643 8.2%	4408 4.7%	6704 7.1%	3548 3.7%	9353 10.0%	14369 15.4%	10117 10.8%	8184 8.7%	7035 7.6%	6644 7.0%	6717 7.2%	9000 9.6%	93722 100%
2007	7335 7.6%	6801 7.1%	6700 7.0%	8148 8.5%	12558 13.1%	12379 12.9%	9277 9.7%	7025 7.3%	6759 7.0%	4899 5.1%	5451 5.7%	8698 9.1%	96010 100.0%

Source: Nepal Tourism Statistics, 2006 and 2007, Government of Nepal, Ministry of Culture, Tourism, and Civil Aviation.

Tourist Arrivals in Nepal by Gender (1962 – 2007)

Annex - E

Year	Male	% change	Female	% change	Total
1962	3231 52.3%	-	2948 47.7%	-	6179 100.0%
1963	5226 55.7%	61.74	4162 44.3%	41.18	93880 100.0%
1970	26157 56.9%	400.5	19813 43.1%	376.04	45970 100.0%
1975	55741 60.3%	113.10	36699 39.7%	85.2	92440 100.0%
1980	100006 61.4%	79.4	62891 38.6%	71.36	162897 100.0%
1985	113563 68.2%	13.6	67426 37.2%	7.2	180989 100.00%
1886	136967 61.3%	20.6	86364 38.7%	28.1	223331 100.00%
1987	152493 61.5%	11.3	95587 38.5%	10.7	248080 100.00%
1988	166276 62.5%	9.0	99667 37.5%	4.3	265943 100.00%
1989	146040 60.9%	-12	93905 39.1%	-5.8	239945 100.00%
1990	155311 60.9%	6.3	99574 39.1%	58.3	254885 100.0%
1991	177574 60.6%	14.3	115421 39.4%	15.9	292995 100.0%

1992	197051 58.9%	11.0	137302 41.1%	19.9	334353 100.0%
1993	179178 61.0%	0.9	114389 39.0%	-0.9	293567 100.0%
1994	205389 62.9%	14.6	121142 37.1%	5.9	326531 100.0%
1995	224769 61.9%	25.4	138626 38.1%	21.2	363395 100.0%
1996	233055 59.2%	3.7	160558 40.8%	15.8	393613 100.0%
1997	251358 59.6%	11.8	170499 40.4%	23.0	421857 100.0%
1998	267871 57.8%	6.6	195813 42.2%	14.8	463684 100.00%
1999	286161 58.2%	13.8	205343 41.8%	20.4	491504 100.0%
2000	266937 57.6%	-6.7	196709 42.4%	-4.2	463646 100.0%
2001	213465 59.1%	-20.0	147772 49.9%	-24.9	361237 100.0%
2002	174710 63.4%	-18.1	100758 36.6%	-31.8	275468 100.0%
2003	204732 60.5%	17.1	133400 39.5%	32.4	338132 100.0%
2004	255303 66.3%	24.7	129994 33.7%	-2.6	385297 100.0%
2005	257972 68.7%	1.0	117426 31.3%	-9.7	375398 100.0%
2006	218818 57.0%	-15.17	165108 43.0%	40.6	383926 100.0%
2007	290688 55.2%	32.8	236017 44.8%	42.9	526705 100.0%

Source: Nepal Tourism Statistics 2006 and 2007, Government of Nepal (MoCTCA)

Tourist Arrivals in Nepal by Age Group (1962 – 2007)

Annex - F

Year	0 - 15	16 - 30	31 - 45	46 – 60	61 & Over	Not Specified	Total
1962	-	-	-	-	-	-	6179
1970	1613 3.5%	16302 35.5%	11240 24.5%	9559 20.8%	7256 15.8%	-	45970
1974	2605 2.9%	36025 40.1%	24885 27.7%	16800 18.7%	9523 10.6%	-	36508
1978	5933 3.8%	56985 36.5%	44807 28.7%	30756 19.7%	17642 11.3%	-	15612 3
1982	8656 4.9%	61438 35.0%	55638 31.7%	33951 19.4%	15765 9.0%	-	17544 8
1986	12243 5.5%	73656 33.0%	71694 32.1%	42707 19.1%	23031 10.3%	-	22333 1
1987	13289 5.4%	83321 33.6%	78969 31.8%	46648 18.8%	25853 10.4%	-	24808 0
1988	15668 5.9%	86047 32.4%	85582 32.2%	51044 19.2%	27602 10.3	-	26594 3
1989	10332 4.3%	78099 32.6%	77975 32.5%	47052 19.6%	26487 11.0%	-	23994 5
1990	10620 4.2%	85903 33.7%	82292 32.3%	49388 19.4%	26682 10.5%	-	25488 5
1991	17174 5.9%	96634 33.0%	94539 32.3%	54320 18.5%	30328 10.4%	-	29299 5
1992	18624 5.6%	105123 31.4%	111096 33.2%	65651 19.6%	33859 10.1%	-	33435 3

1993	15289 5.2%	91947 31.3%	96665 32.2%	59.768 20.4%	29898 10.2%	-	29356 7
1994	20097 6.2%	96016 29.4%	106260 32.5%	66174 20.3%	37894 11.6%	-	32653 1
1995	22878 6.3%	106603 29.3%	120212 33.1	76647 21.1%	37055 10.2%	-	36339 5
1996	22185 5.6%	94924 24.1%	116307 29.5%	89751 22.8%	70446 17.9%	-	39361 3
1997	23840 5.7%	121286 28.8%	126828 30.1%	107111 25.4%	42792 10.1%	-	42185 7
1998	26763 5.8%	122103 26.3%	151846 32.7%	121190 26.1%	41782 9.0%	-	46368 4
1999	30967 6.3%	150307 30.6%	155985 31.7%	113314 23.1%	40913 8.3%	-	49150 4
2000	19136 4.1%	119816 25.8%	148063 31.9%	125140 27.0%	51491 11.1%	-	46364 6
2001	14608 4.0%	95801 26.5%	115678 32.0%	93621 25.9%	41529 11.5%	-	36123 7
2002	12425 4.5%	67774 24.6%	99622 36.2%	67017 24.3%	28630 10.4%	-	27546 8
2003	16056 4.7%	78357 23.2%	99740 29.5%	85753 25.4%	58226 17.2%	-	33813 2
2004	38734 10.1%	84125 21.8%	128267 33.3%	96920 25.2%	37251 9.7%	-	38529 7
2005	30429 8.1%	57115 15.2%	114103 30.4%	106077 28.3%	67674 18.0%	-	37539 8
2006	37433 9.8%	75626 19.7%	123541 32.2%	95260 24.8%	52066 13.6%	-	38392 6
2007	38870 7.4%	112879 21.4%	164488 31.2%	130756 24.8%	69927 13.3%	9785 1.9%	52670 5

Source: Nepal Tourism Statistics 2006, 2007 Government of Nepal (MoCTCA)

Purpose-wise Distribution of Tourist in Nepal (1962-2007)

Annex - G

Year	Holiday pleasure	Trekking and mountaineering	Business	Pilgrimage	Official	Conference	Rafting	Others	Not Specified	Total
1962	-	-		-		-	-	-	-	6179 (100%)
1966	10963 (87.2%)	8 (0.1%)	327 (2.6%)	-	907 (7.2%)	-	-	362 (2.9%)	-	12567 (100%)
1970	41881 (91.1%)	556 (1.2%)	918 (2.0%)	-	1528 (3.3%)	-	-	1087 (2.4%)	-	45970 (100%)
1974	67748 (75.4%)	11710 (13.0%)	3896 (4.3%)	-	3707 (4.1%)	-	-	2777 (3.1%)	-	89838 (100%)
1978	124465 (79.7%)	17304 (11.1%)	6642 (4.3%)	-	5660 (3.6%)	-	-	2052 (1.3%)	-	156123 (100%)
1982	136693 (77.9%)	23507 (13.4%)	7374 (4.2%)	-	7166 (4.1%)	-	-	708 (0.4%)	-	175448 (100%)
1986	163954 (73.4%)	33609 (15.0%)	10863 (4.9%)	-	8825 (4.0%)	-	-	6076 (2.7%)	-	223331 (100%)
1987	184979 (74.6%)	36164 (14.6%)	11781 (4.7%)	-	8882 (3.6%)	-	-	6274 (2.5%)	-	248080 (100%)
1988	200775 (75.5%)	36937 (13.9%)	12008 (4.5%)	-	9781 (3.7%)	-	-	6442 (2.4%)	-	265943 (100%)
1989	180973 (75.4%)	40093 (16.7%)	2630 (1.1%)	-	12275 (5.1%)	-	-	3974 (1.7%)	-	239945 (100%)
1990	161839 (63.5%)	39999 (15.7%)	11728 (4.6%)	6713 (2.6%)	26578 (10.4%)	2 838 (1.1%)	-	5190 (2.0%)	-	254885 (100%)

1991	177,370 (60.5 %)	42308 (14.4 %)	14601 (5.0 %)	9103 (3.1 %)	37274 (12.7%)	5441 (1.9%)	-	6898 (2.4%)	-	292995 (100%)
1992	237711 (71.1%)	35166 (10.5%)	31765 (9.5 %)	7219 (2.2 %)	20967 (6.3 %)	815 (0.2%)	-	710 (0.2 %)	-	334353 (100 %)
1998	261347 (56.4%)	112644 (24.3 %)	24954 (5.4 %)	16164 (3.5 %)	22123 (4.8 %)	5181 (1.1%)	-	21271 (4.6 %)	-	463646 (100 %)
1999	290862 (59.2 %)	107960 (22.0 %)	23813 (4.8 %)	19198 (3.9 %)	24132 (4.9 %)	5965 (1.2%)	-	19574 (4.0 %)	-	491504 (100 %)
2000	255889 (55.2 %)	118780 (25.6 %)	29454 (6.4 %)	15801 (3.4 %)	20832 (4.5 %)	5599 (1.2%)	-	17291 (3.7 %)	-	463646 (100 %)
2001	187022 (51.8 %)	100828 (27.9 %)	18528 (5.1 %)	13816 (3.8 %)	18727 (5.2 %)	0 (0.0)	-	22316 (6.2 %)	-	361237 (100 %)
2002	110143 (40.0%)	59279 (21.5%)	16990 (6.2%)	12366 (4.5%)	17783 (6.5%)	0 (0.0)	-	58907 (17.9%)	-	275468 (100%)
2003	97904 (29.0%)	65721 (19.4%)	19387 (5.7%)	21395 (6.3%)	21967 (6.5%)	0 (0.0)	-	11758 (33.1%)	-	338132 (100%)
2004	167262 (43.4%)	69442 (18.0%)	13948 (3.6%)	45664 (11.9%)	17088 (4.4%)	0 (0.0)	-	71893 (18.7%)	-	385297 (100%)
2005	160259 (42.7%)	61488 (16.4%)	21992 (5.9%)	47621 (12.7%)	16859 (4.5%)	0 (0.0)	-	67179 (17.9%)	-	375398 (100%)
2006	145802 (27.7%)	66931 (12.7%)	21066 (4.0%)	59298 (11.3%)	18063 (3.4%)	0 (0.0)	-	72766 (19.0%)	-	383926 (100%)
2007	215815 (41.4%)	101320 (19.2%)	24487 (4.6%)	52594 (10.0%)	21670 (4.1%)	8019 (1.5%)	65 (0.0%)	78579 (14.9%)	2215 6 (4.2%)	526705 (100.0%)

Source: Nepal Tourism Statistics, 2007, Government of Nepal, MoCTCA

Trend of Tourists Arrival by Mode of Transport (1962-2007)

Annex - H

Year	Total Number	By Air Number	% of Air	By Land Number	% of Land
1962	6179	-----	-----	-----	-----
1966	12567	11206	89	1361	11
1970	45970	36508	79	9462	21
1974	89838	74170	83	15668	17
1975	92440	78995	86.	13445	15
1976	105108	90498	86	14610	14
1977	156129	130034	83	26095	17
1978	156123	130034	83	26089	17
1979	162276	137865	85	24411	15
1980	162897	139387	86	23510	14
1981	161669	142084	88	19585	12
1982	175448	153509	87	21939	13
1983	179405	152470	85	26935	15
1984	176634	149920	85	26714	15
1985	180989	151870	84	29119	16
1986	223331	182745	82	40586	18
1987	248080	205611	83	42469	17

1988	265943	234945	88	30998	12
1989	239945	207907	87	32038	13
1990	254885	226421	89	28464	11
1991	292995	267932	91	25063	9
1992	334353	300496	90	33857	10
1993	293567	254140	87	39427	13
1994	326531	389381	89	37150	11
1995	363395	325035	89	38360	11
1996	393613	343246	87	50367	13
1997	421857	371145	88	50712	12
1998	463684	398008	86	65676	14
1999	491504	421243	86	70261	14
2000	463646	376914	81	86732	19
2001	361237	299514	83	61,723	17
2002	275468	218660	79	56808	21
2003	338132	275438	81	62694	19
2004	385297	297335	77	87962	23
2005	375398	277346	74	98052	26
2006	383962	283819	74	100107	26
2007	526705	360713	68	165992	32

Source: Nepal Tourism Statistics, 2006, and 2007, MoCTCA

**Contribution of Tourism Earning in Total Convertible Foreign Exchange
Earning of Nepal (F.Y. 1974/75 - 2006/07)**

Annex - I

Rs. in Million

Year	Tourism	% Share	Service Gorkha Remittance	% Share	Export	% Share	Foreign Aid	% Share	Diplomatic Mission and Miscellaneous	% Share	Total
1974/75	120.7	21.4	178.4	31.6	151.4	26.5	26.5	4.7	87.7	15.5	564.7
1975/76	189.9	22.1	164.6	19.1	296.9	34.5	132.2	15.4	77.3	9.0	860.9
1976/77	244.1	22.3	203.7	18.6	385.7	35.2	161.0	14.7	101.0	9.2	1095.6
1977/78	342.5	23.4	228.0	15.6	557.6	38.1	211.2	14.4	132.2	9.0	1462.5
1978/79	406.8	22.0	238.7	12.9	518.0	28.1	542.2	29.3	142.5	7.7	1848.2
1979/80	518.8	21.9	292.4	12.3	717.8	30.3	623.4	26.3	218.7	9.2	2371.1
1980/81	616.8	23.3	384.4	14.5	642.0	24.2	622.8	23.5	386.0	14.6	2652.0
1981/82	493.8	21.6	432.2	18.9	513.5	22.4	563.3	24.6	285.8	12.5	2288.6
1982/83	491.1	21.7	453.7	20.1	305.1	13.5	798.7	35.3	212.7	9.4	2261.3
1983/84	585.7	20.6	365.6	12.8	427.0	15.0	1150.7	40.4	317.8	11.2	2846.8
1984/85	724.9	19.5	396.6	10.7	916.7	24.6	1402.4	37.7	280.1	7.5	3720.7

1985/86	863.6	14.9	423.1	7.3	2072.3	35.8	1814.6	31.3	615.9	10.6	5789.5
1986/87	1208.1	18.5	608.3	9.3	1624.2	24.8	2150.7	32.9	948.7	14.5	6540.0
1987/88	1415.1	15.4	838.0	9.1	2348.5	25.5	2753.9	29.9	1851.5	20.1	9207.0
1988/89	1856.5	16.6	1023.4	9.2	3005.2	27.0	3037.1	27.2	2228.6	20.0	11150.8
1989/90	1541.7	11.5	1236.1	9.3	4239.9	31.7	3645.9	27.3	2699.1	20.2	13362.7
1990/91	1993.8	12.1	1349.3	8.2	5763.4	35.0	3877.6	23.5	3481.7	21.1	16465.8
1991/92	3090.7	12.3	1584.4	6.3	10020.6	40.0	3712.6	14.8	6647.7	26.5	25056.0
1992/93	2615.1	9.6	2017.0	7.4	10389.5	38.0	5188.6	19.0	7113.2	26.0	27323.4
1993/94	4819.7	13.3	1637.9	4.5	16033.2	44.3	4474.6	12.4	9195.4	25.4	36160.8
1994/95	5896.2	15.1	3447.5	8.8	15624.5	40.0	4419.3	11.3	9715.9	24.8	39103.4
1995/96	6605.9	17.6	1920.5	5.1	14719.4	39.3	7943.4	21.2	6270.6	16.7	37459.2
1996/97	6158.8	16.1	2300.4	6.0	15603.9	40.8	8921.5	23.3	5295.8	13.8	38280.4
1997/98	7850.9	17.5	2966.3	6.6	16355.3	36.4	9868.4	21.9	7943.0	17.7	44983.9
1998/99	11584.2	20.0	3641.6	6.3	48766.6	32.4	8518.4	14.7	15429.0	26.6	57939.8
1999/00	11691.0	18.2	4145.5	6.5	23724.4	36.9	11072.4	17.2	13616.7	21.2	64250.0
2000/01	11969.2	13.3	6551.3	7.3	29789.7	33.2	23459.0	26.1	18054.0	20.1	89823.2
2001/02	7798.4	10.2	6324.3	8.3	18311.0	24.0	18968.3	24.9	24751.4	32.5	76153.4
2002/03	10369.4	10.5	6895.5	7.0	22578.9	22.9	12988.2	13.2	45850.5	46.5	98682.5
2003/04	12337.4	8.0	6710.3	-2.7	22489.6	14.3	19823.0	12.7	59283.0	38.0	156645.7
2004/05	11814.8	9.6	8297.0	6.7	20851.9	17.0	20397.5	16.5	61907.2	50.2	123268.4
2005/06	11710.9	7.4	10046.1	6.4	21738.5	13.8	16713.5	10.6	97088.5	62.0	157297.5
2006/07	12645.8	8.0	12729.0	26.7	22366.8	2.9	16622.3	-0.5	115603.7	19.1	179967.6
Average		16.2		10.8		28.7		21.1		20.9	

Source: Economic Survey –F.Y. 20006/07, and 2007/08, Government of Nepal, Ministry of Finance

Questionnaire for Tourist

Tourism Service Marketing in Nepal

Annex – J

Address to the guest staying in the hotels: This is my pleasure to inform you that I am undertaking a Ph.D. research on “Tourism Service Marketing in Nepal from Tribhuvan University, Kiritipur. Therefore, you are kindly requested to fill up this questionnaire on the basis of your experience as a tourist of Nepal.

Background Information

1. (a.1.Region: Asian (SAARC), (a.2) Asia (a.3) Western Europe

(a.4)North America (a.5) Eastern Europe (a.6) Australia (a.7) others

b) Nationality:.....

c) Gender: Male..... Female.....

d Age Group:

Between

0 to 15 yrs

16 to 30yrs

31 to 45 yrs

46 to 60 yrs

and 61 over

2) What is the purpose of your traveling in Nepal?

a) Holiday/Pleasure

b) Trekking and Mountaineering

c) Pilgrimage

d) Business

e) Friends & Relatives

f) Officials

g) Conference

h) Honeymoon

i) Sports

j) Others

3) How did you plan your trip to Nepal?

a) With organized tour alone

b) Semi organized tour with family

c) Organized tour with group of friends

4) What type of hotel do you prefer for staying? (Please tick which one you like the most)

- a) 5 star hotel b) 4 star hotel c) 3 star hotel
d) 2 star hotel e) 1 star hotel f) non star hotel
g) Friends & Relatives

5) Which type of Cuisine do you prefer? (Please tick one of them)

- a) Nepali b) Indian c) Continental d) Chinese e) Any other

6) How long will you stay here?

- a) One to Three nights b) Four to Six nights
c) Seven to Nine Nights d) Ten to Twelve Nights
e) Thirteen to Fifteen Nights f) Sixteen to Eighteen Nights
g) Nineteen to Twenty One Nights
h) Twenty two to Twenty four Nights
i) Twenty five to Twenty seven Nights
j) Twenty eight to Thirty Nights

7) Where did you travel in Nepal? (Please tick as many as appropriate)

- | | | | |
|--------------|--------------------------|------------------------|--------------------------|
| 1) Kathmandu | <input type="checkbox"/> | 8) Shivapuri | <input type="checkbox"/> |
| 2) Pokhara | <input type="checkbox"/> | 9) Nagarkot | <input type="checkbox"/> |
| 3) Chitwan | <input type="checkbox"/> | 10) Patan | <input type="checkbox"/> |
| 4) Lumbini | <input type="checkbox"/> | 11) Bhaktapur | <input type="checkbox"/> |
| 5) Annapurna | <input type="checkbox"/> | 12) Others i.e. Illam, | <input type="checkbox"/> |
| 6) Langtang | <input type="checkbox"/> | Janakpur, Muktinath | <input type="checkbox"/> |
| 7) Langtang | <input type="checkbox"/> | | |

8) What is your average expenditure per day? (Please mention to the nearest amount)

- | | | |
|------------------------|----------------------|----------------------|
| 1) US\$ 6-US\$15 | 2) US\$ 16 – US\$ 25 | 3) US\$ 26 – US\$ 35 |
| 4) US\$ 36 – US\$ 45 | 5) US\$ 46 – 55 | 6) US\$ 56 – US\$ 65 |
| 7) US\$ 66 – US\$ 75 | 8) US\$ 76 – US\$ 85 | 9) US\$ 86 – US\$ 95 |
| 10) US\$ 96 – US\$ 105 | 11) US\$106 and over | |

9) Who helped you find an accommodation for the first time in Nepal?

- | | | |
|------------------|---------------------|----------------------------------|
| 1) Travel Agents | 2) Transport Agents | 3) Tour Operator of Nepal |
| 5) Tour Operator | 6) Hotel Chains | 7) Others: Friends and Relatives |

10) Which mode of transportation do you usually use while traveling in Nepal? Please tick as many as you have used-

- a) Air b) land

11) What were the main sources of information that influenced your decision about coming to Nepal? (Tick as many as appropriate)

- | | | | |
|------------------------|--------------------------|----------------------|--------------------------|
| a) Friends/relatives | <input type="checkbox"/> | g) Tourist office | <input type="checkbox"/> |
| b) Travel agent | <input type="checkbox"/> | h) Prior visit | <input type="checkbox"/> |
| c) Newspaper/Magazines | <input type="checkbox"/> | i) Business Linkage | <input type="checkbox"/> |
| d) Television? Radio | <input type="checkbox"/> | j) Trade show/ fairs | <input type="checkbox"/> |
| e) Guide Books | <input type="checkbox"/> | k) Airlines | <input type="checkbox"/> |
| | | l) Other | <input type="checkbox"/> |

12) Did you notice any publicity materials relating to the tourism published by Nepal Government, Nepal Airlines, Travel and Trekking agencies etc?

- a) Yes b) No c) No Response

13) In your opinion, what kind of tourism product do we need to develop? (Please tick as many as you like)

- a) Preserve and present our product as it is now
- b) Modify products to suit target markets

18) How do you rate the air service facilities available at the Tribhuvan International Airport of Nepal? (5 is equal to highly satisfied and 1 is highly dissatisfied)

Rating of Service	Tourist's Response						Comment
	Highly satisfied	Satisfied	Fair	Less-satisfied	Poor	Total	
Tribhuvan International Airlines							
Domestic Air Services							
Immigration							
Customs							
Service of Employee of TIA							

19) How do you rate the service of Travel Agency and Tourist Guide of Nepal? (5 is equal to highly satisfied and 1 is highly dissatisfied)

Travel Agency

Highly Satisfied Satisfied Fair Less-satisfied Poor

Tourist Guide

Highly Satisfied Satisfied Fair Less-satisfied Poor

20) What is your view about the quality of service of Star Hotels of Nepal? (5 is equal to highly satisfied and 1 is highly dissatisfied)

Star Hotel

20.1) Tangibility

Rating of Service	Tourist's Response					
	Highly Satisfied	Satisfied	Fair	Less Satisfied	Poor	Comments
Physical						

Facilities						
Modern Equipments						
Staff Appearance						

20. 2) Reliability

Rating of Service	Tourist's Response					
Reliability	Highly Satisfied	Satisfied	Fair	Less Satisfied	Poor	Comments
Service at the agreed time						
No error of Record						
Promised service always kept						

20. 3) Responsiveness

Rating of Service	Tourist's Response					
Responsiveness	Highly Satisfied	Satisfied	Fair	Less Satisfied	Poor	Comments
Willingness to help						
Provide prompt Service						

20.4) Empathy

Rating of Service	Tourist's Response					
Empathy	Highly Satisfied	Satisfied	Fair	Less Satisfied	Poor	Comments
Care and Concern						
Personal Attention						

20.5) Assurance

Rating of Service	Tourist's Response					
Assurance	Highly Satisfied	Satisfied	Fair	Less Satisfied	Poor	Comments
Trustworthiness						
Honesty						

21.) Non Star Hotel

What is your view about the quality of service Non-Star Hotels of Nepal? (5 is equal to highly satisfied and 1 is highly dissatisfied)

21. 1) Tangibility

Rating of Service	Tourist's Response					
Tangible	Highly Satisfied	Satisfied	Fair	Less Satisfied	Poor	Comments
Physical Facilities						
Modern Equipments						
Staff Appearance						

21.2) Reliability

Rating of Service	Tourist Response					
Reliability	Highly Satisfied	Satisfied	Fair	Less Satisfied	Poor	Comments
Service at the agreed						

time						
No error of Record						
Promised service always kept						

21.3) Responsiveness

Rating of Service	Tourist Response					Comments
Responsiveness	Highly Satisfied	Satisfied	Fair	Less Satisfied	Poor	
Willingness to help						
Provide prompt Service						

21. 4) Empathy

Rating of Service	Tourist Response					Comments
Empathy	Highly Satisfied	Satisfied	Fair	Less Satisfied	Poor	
Care and Concern						
Personal Attention						

21. 5) Assurance

Rating of Service	Tourist Response					Comments
Assurance	Highly Satisfied	Satisfied	Fair	Less Satisfied	Poor	
Trust worthiness						
Honesty						

22. Would you like to extend some suggestions for the improvement tourism in Nepal?

Thank you for giving me your valuable time to complete this questionnaire.

Tourism Service Marketing in Nepal

Questionnaire for Tourism Organizations

Annex – K

An appeal: You are kindly requested to fill up this questionnaire. Your opinions will be very useful for my research work.

1. Name and address of the Organization:

2) Year of establishment:

3) Types of Business:

- a) Travel Agency b) Hotel c) Trekking and Mountaineering
d) Rafting e) Airlines f) Guest House
g) Others (please specify)

4) What kind of tourism product does Nepal have to develop for the promotion of Tourism? (Please tick those which you think are relevant)

- a) Preserve and present our products as it is
b) Modify products to suit target markets
c) Combine product feature
d) Develop new products (new areas, village, tourism etc..)
e) Any other (Please specify...)

5) Where should Nepal's tourism product be positioned in the international market?
(Please tick those which you think are relevant).

- | | | | |
|---------------------------------|--------------------------|----------------------------------|--------------------------|
| a) Pleasure tourism destination | <input type="checkbox"/> | b) Adventure tourism destination | <input type="checkbox"/> |
| c) Culture based tourism | <input type="checkbox"/> | d) Nature based tourism | <input type="checkbox"/> |
| e) Pilgrimage based tourism | <input type="checkbox"/> | f) Mix of Above | <input type="checkbox"/> |
| g) Any other (please specify) | <input type="checkbox"/> | | |

6) What product development strategies are needed for the promotion of tourism?
(Please tick those which you think are relevant).

- | | |
|--|--------------------------|
| i) Improving the quality of the tourism product and services | <input type="checkbox"/> |
| ii) Addition of new areas | <input type="checkbox"/> |
| iii) Improve product features | <input type="checkbox"/> |
| iv) Preservation and maintenance of tourist areas | <input type="checkbox"/> |
| v) Professional manpower development | <input type="checkbox"/> |
| vi) Continuous research | <input type="checkbox"/> |
| vii) Joint effort of government and private sector | <input type="checkbox"/> |

7) Where should Nepal's tourism marketing efforts be concentrated on?
(Please tick those which you think are relevant).

- | | | | |
|--------------------|--------------------------|------------------------|--------------------------|
| a) National Level. | <input type="checkbox"/> | b) International Level | <input type="checkbox"/> |
| c) Airlines | <input type="checkbox"/> | d) Agency Services | <input type="checkbox"/> |
| e) Sanitation | <input type="checkbox"/> | f) Visa Rate | <input type="checkbox"/> |
| f) Environment | <input type="checkbox"/> | g) Road Development | <input type="checkbox"/> |
| h) Customs | <input type="checkbox"/> | | |

8) Please rate the relationship with your employee

- | | | | |
|--------------|--------------------------|----------------------|--------------------------|
| a) Very Good | <input type="checkbox"/> | b) Good | <input type="checkbox"/> |
| c) Fair | <input type="checkbox"/> | d) Less Satisfactory | <input type="checkbox"/> |
| e) Poor | <input type="checkbox"/> | | |

9) In which area do you think should we give more attention for the promotion of tourism? (Please tick those which are appropriate)

- | | | | |
|------------------|--------------------------|---|--------------------------|
| a) Accommodation | <input type="checkbox"/> | b) Immigration | <input type="checkbox"/> |
| c) Airlines | <input type="checkbox"/> | d) Agency services (travel, Trekking etc) | <input type="checkbox"/> |
| e) Sanitation | <input type="checkbox"/> | g) Visa Rate | <input type="checkbox"/> |
| f) Environment | <input type="checkbox"/> | h) Road Development | <input type="checkbox"/> |
| i) Customs | <input type="checkbox"/> | | |

10) Which media do you rely upon? (Please tick those which you think are relevant)

- | | |
|-------------------------------|--------------------------|
| a) Trade and Travel journal | <input type="checkbox"/> |
| b) Radio | <input type="checkbox"/> |
| c) Other magazines | <input type="checkbox"/> |
| d) Word of mouth | <input type="checkbox"/> |
| e) Television | <input type="checkbox"/> |
| f) E-mail / Internet | <input type="checkbox"/> |
| g) Friends and Relatives | <input type="checkbox"/> |
| h) Any other (please specify) | <input type="checkbox"/> |

11) What efforts are being initiated by the government for the promotion of tourism in Nepal? (Please tick those which you think are relevant)

- | | |
|--------------------------------------|--------------------------|
| a) Destination Promotion | <input type="checkbox"/> |
| b) Creation of infrastructure | <input type="checkbox"/> |
| c) Product development | <input type="checkbox"/> |
| d) Facilitating tourism Industry | <input type="checkbox"/> |
| e) Participation in fairs/exhibition | <input type="checkbox"/> |
| f) Use of Embassies | <input type="checkbox"/> |
| g) Increase in Budget | <input type="checkbox"/> |
| h) Management Environment | <input type="checkbox"/> |
| i) Clear plan and policies | <input type="checkbox"/> |

12) How do you market your product or service in the off season? (Please tick those which you think are relevant)

- | |
|--------------------------------|
| a) Targeting new market |
| b) Targeting cheap market |
| c) Providing price concessions |

- d) Promoting conferences, seminars, and business tours.
- e) Any other (please specify.....)

13) How do you rate the importance of Human Resource Development in the tourism service organizations?

- a) Strongly Agree
- b) Agree
- c) Fair
- d) Disagree
- e) Strongly Disagree

14) Rate the Marketing efforts made by Nepalese tourism organizations compared to other competing countries.

- a) Highly competitive
- b) Competitive
- c) Satisfactory
- d) Less Satisfactory
- e) Poor

15) How do you rate the view that the quality of tourism product and services increase customer's satisfaction?

- a) Strongly Agree
- b) Agree
- c) Fair
- d) Disagree
- e) Strongly Disagree

16) What should we do to promote Nepal as an international destination? Please give your view.

Thank you for giving me your valuable time to complete this questionnaire.

Tourism Service Marketing in Nepal

Questionnaire for Experts

Annex – L

An appeal – You are kindly requested to fill up this questionnaire. Your opinion will prove to be a valuable guide for the completion of my research works.

1. Show your agreement/disagreement on the following statements

Tourism is also one of the important sources of foreign exchange earning in the present situation of Nepal.

Strongly Agree Agree Fair Disagree Strongly disagree

2. Tourism infrastructures are sufficient for the development of tourism in Nepal? (Please give your arguments)

Strongly Agree Agree Fair Disagree Strongly disagree

3. What strategies are needed for the development of tourism in Nepal? (Please tick those which you think are relevant)

- a) Develop new tourism products
- b) Add new value for the existing tourism products.
- c) Conserve and renovate heritages.
- d) Protect environment.
- e) Development of additional infrastructures.
- f) Effective management of existing infrastructures.
- g) Increase quality of services
- h) Improve marketing activities
- i) Improve government policies and regulations
- j) Create awareness among people
- k) Improve safety and Security.

4) What are the main weaknesses of our tourism marketing? (Please tick those which you think are relevant)

- a) Limited Investment of Fund
- b) Lack of Strategic Planning
- c) Lack of Professionals
- d) Lack of budget of the Government
- e) Lack of Research work
- f) Inability to Identify Market
- g) Lack of coordination between Private Parties and Government
- h) Lack of Publicity in right Time
- i) Lack of Human Resource Development

5) Where should Nepal's tourism product positioning in the international market (Please tick those which you think are relevant)

- a) Pleasure Tourism destination
- b) Adventure based Tourism destination
- c) Cultural based Tourism
- d) Nature based Tourism
- e) Any other
- f) Ideal for High Spending Tourists
- g) Ideal for Medium Spending Tourists
- h) Low Spending Tourists
- i) Mix of Above

6.) What type of pricing policies will be useful for the attraction of tourists? (Please tick those which you think are relevant)

- a) Total cost plus certain profit
- b) Different prices for the different type of tourists
- c) Seasonal pricing (in a pick season, high price rate and in an off season low price
- d) On the basis of quantity of order (low price for a lot
- e) Skimming price- higher price for the time of shortage
- f) Special adjustment
- g) Competitive pricing

h) If any other, please specify

7.) In which area do you think we should give more attention for the promotion of tourism? (Please tick those which you think are relevant)

- a) Development and modernization of accommodation
- b) Transportation (Road and Vehicles)
- c) Airline Facility
- d) Immigration procedures
- e) Travel and Trekking Agency Services
- f) Tourist Services
- g) Sanitation and Environmental Pollution
- h) Rules and Regulation of HMG.
- i) Visa Rate

8.) Which factor do you feel is more responsible for the promotion of tourism in Nepal? (Please tick and Rank.... 1- more importance)

- a) Government
- b) Private Sector
- c) NGO
- d) INGO
- e) Accommodation
- f) Travel and Trekking Agency
- g) Transport and media
- h) Municipalities/ VDC / Ward Committee

9.) How do you evaluate the efforts of the following agencies for tourism development? (Please rate 5 represents excellent and 1 equals to Poor)

- | | | | | | |
|----------------|--------------|---------|---------|----------------------|---------|
| Government | a) Excellent | b) Good | c) Fair | d) Less Satisfactory | e) Poor |
| Private sector | a) Excellent | b) Good | c) Fair | d) Less Satisfactory | e) Poor |
| Associations | a) Excellent | b) Good | c) Fair | d) Less Satisfactory | e) Poor |
| NGO's | a) Excellent | b) Good | c) Fair | d) Less Satisfactory | e) Poor |
| People | a) Excellent | b) Good | c) Fair | d) Less Satisfactory | e) Poor |

10.) Efficient service of staff can increase the customer's satisfaction and image of the organization. (Please rate which you think appropriate)

Strongly Agree Agree Fair Disagree Strongly Disagree

11.) What do you think about the present brand “Naturally Nepal – Once is not enough”? (Please rate which you think appropriate)

Excellent	Good	Satisfactory	Less satisfactory	Unsatisfactory
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

12.) How do you rate the different plans and policies of government regarding tourism up to now?

- | | |
|------------------------|--------------------------|
| a) Highly satisfactory | <input type="checkbox"/> |
| b) Satisfactory | <input type="checkbox"/> |
| c) Indifferent | <input type="checkbox"/> |
| d) Less satisfactory | <input type="checkbox"/> |
| e) Poor | <input type="checkbox"/> |

13.) What is your view to promote Nepal as a sustained destination? (Please extend some suggestions)

Thank you for giving me your valuable time to complete this questionnaire. I value your opinion and hope I will be able to provide valuable suggestions to the concerned bodies.

Tourism Service Marketing in Nepal

List of Hotel

Annex- M

Hotels, Resorts, Guest houses

1. **Hotel Barahi – Pokhara**
2. **Boomeran and Resturant – Pokhara Lakeside , Pokhara**
3. **Hotel Holy Heaven – Lakeside, Pokhara**
4. **Hotel Eco (2000) Thamel**
5. **Prasant Reservation – Bharatpur Chitwan**
6. **Kathamndu Guest House.**
7. **Hotel Yak and Yeti, Durbarmarg**
8. **Hotel Harati – Chhetrapati**
9. **Hotel Ambassador – Lainchour**
10. **Hotel Radission 5 Star – Lazimpat**
11. **Hotel Malla 5 Star – Thamel**
12. **Hotel Shangrila 5 Star – Lazimpat**
13. **Hotel Everest 5 Star – New Baneswor**
14. **Hotel Garden 3 Star – Nayabazar**
15. **Hotel Annapurna 5 star - Durbar Marga**
16. **Hotel Gangdone 4 Star – Lazimpat**
17. **Shanker Hotel 3 Star – Lazimpat**
18. **Hotel Soaltee 5 Star – Tahachal, Kathmandu, Nepal**
19. **Hotel Hyaat Regency 5 Star - Bouddha**
20. **Dawarika’s Hotel – Battisputali, Kathmandu, Nepal**

21. **Hotel Manang 3 Star - Thamel**
22. **Hotel Marshandi 3 Star, Thamel**
23. **Hotel Baisali 3 Star - Chhetrapati**
24. **Hotel Maharaja Palace Tilganga, Gausala, Kathmandu, Nepal**
25. **Dragon Hotel – Phewa Lake, Pokhara Nepal**
26. **Godawari Village Resort – Godawari, Lalitpur, Kathmandu, Nepal**
27. **Shangrila Village – Pokhara**
28. **Hotel Tulsi Pokhara. Pvt. Ltd.**
29. **Hotel Himalayan 4 Star – Kupondole, Kathmandu**
30. **Hotel Gaurade, Thamel**
31. **Niwas Guest House Thamel**
32. **Hotel Tradition Pvt., Ltd.**
33. **Student Guest house, Thamel**
34. **Hotel Eco, Thamel**
35. **Saunj hanya Guest House, Thamel**
36. **Hotel Centre Point Pvt. Ltd**
37. **Hotel Shree Tibet, Thamel**

Tourism Service Marketing in Nepal

List of Travel and Tours

Annex- N

Travel & Tours

1. Adventure Travel Nepal Pvt. Ltd.
2. Alpine Travel Service Pvt. Ltd.
3. Ama Dablam Travels & Tours (Pvt. Ltd)
4. Ankur Tours International (Pvt. Ltd)
5. Annapurna Travel & Tours (Pvt. Ltd)
6. Atlas Travels & Tours Pvt. Ltd.
7. Asuka Travels & Tours (Pvt. Ltd)
8. Asia Travel Bureau Pvt. Ltd.
9. Adventure Specialist Travel Pvt. Ltd.
10. Across Travels & Tours (Pvt. Ltd)
11. Broadway Travels (Pvt. Ltd)
12. Bagmati Tours and Travels Pvt. Ltd.
13. Bhandari Tours & Travels (Pvt. Ltd)
14. Bhumdi Village Travel and Tours Pvt. Ltd.
15. C & K Nepal Travels & Tours (Pvt. Ltd)
16. Classic Nepal Travel
17. Caravan Travels & Tours Pvt. Ltd.
18. Dynamic Travels & Tours Pvt. Ltd.
19. Deurali Travels & Tours (P) Ltd.
20. Devi International Travels & Tours Pvt. Ltd.
21. Dharma Travels Pvt. Ltd
22. Dinna Travels & Tours Pvt. Ltd
23. Dynamic Services Pvt. Ltd
24. Euro- Asia Tours & Travel (Pvt. Ltd)
25. Everest Express Tours and Travels (Pvt. Ltd)
26. Evergreen Tours International P. Ltd.
27. Everest Travel Services Pvt. Ltd.
28. Fast International Travels & Tours Pvt. Ltd.
29. Fewa Tours & Travel (Pvt. Ltd)
30. Glorious Travel & Tours Pvt. Ltd.
31. Gulf Travel & Tours (Pvt. Ltd)

32. Green Travel Pvt. Ltd.
33. Hariyali Travels & Tours Pvt. Ltd.
34. Heritage Tours & Travels Pvt. Ltd.
35. High Mountain Tours (Pvt. Ltd)
36. Hillary Travel & Tours (Pvt. Ltd)
37. Himalayan Land Travels & Tours (Pvt. Ltd)
38. Interworld Travels Services (Pvt. Ltd)
39. Jaya Travels & Tours Pvt. Ltd.
40. Kathmandu Travels & Tours Pvt. Ltd.
41. Kathmandu-Lhasa Tours & Travels (Pvt. Ltd)
42. Koshi Tours & Travels P. Ltd.
43. Lukla Travels & Tours Pvt. Ltd.
44. Lumbini Travels & Tours Pvt. Ltd.
45. Lalima Travels Pvt. Ltd.
46. Lotus Travels & Tours Pvt. Ltd.
47. Link Travels & Tours Pvt. Ltd.
48. Magnificent Travels & Tours (Pvt. Ltd)
49. Mystique Himalayan Travels & Tours (Pvt. Ltd)
50. Mall Travels & Tours (Pvt. Ltd)
51. Manang Tours and Travels (Pvt. Ltd)
52. Marco Polo Travels Nepal Pvt. Ltd.
53. Moon Travels & Tours (Pvt. Ltd)
54. Nihon Nepal Tours and Travels (P) Ltd.
55. Natraj Tours & Travels Pvt. Ltd.
56. Nature Express Travels Pvt. Ltd.
57. Nepal East West Travels & Tours (Pvt. Ltd)
58. Nepal Express Travel Service Pvt. Ltd.
59. Nepal International Travels & Tours Pvt. Ltd.
60. Nature Safari Tours (Pvt. Ltd)
61. Nepal Travel Agency Pvt. Ltd.
62. Osho World travel Nepal (Pvt. Ltd)
63. Pacific Travel & Tours (Pvt. Ltd)
64. Plan Holidays Travel & Tours (Pvt. Ltd)
65. Panas Travel Agency Pvt. Ltd.
66. Paradise Tours & Travels Pvt. Ltd.
67. Paramount Nepal Tours Pvt. Ltd
68. Pokhara Tours & Travel Pvt. Ltd
69. Peace Travels & Tours Pvt. Ltd
70. Rainbow Travels & Tours Pvt. Ltd
71. Royal Express Travel and Tours (Pvt. Ltd)
72. Samrat Tours & Travels (Pvt. Ltd)
73. Shamgri-la Tours (Pvt. Ltd)

74. Sherpa Travel Service (Pvt. Ltd)

75. Splender Nepal Tours (Pvt. Ltd)

Tourism Service Marketing in Nepal

List of Trekking & Mountaineering Agencies

Annex- O

Trekking & Mountaineering Agencies

1. Prasant Reservation – Bharatpur Chitwan
2. Himalaya Adventure – Pokhara Lakeside
3. Langtang Trekking (Pvt. Ltd)
4. Everest Trekking (Pvt. Ltd)
5. Himalaya Scenery Treks and expedition Pvt. Ltd, Thamel
6. Himalaya Headway Treks Pvt. Ltd, Thamel
7. Destination Nepal Treks and Expedition, Thamel Jyatha
8. Asian Heritage Trek
9. Asian Trekking Pvt. Ltd, Thamel
10. Atlanta Mountaineering
11. Araniko Travels
12. Himalaya Expedition
13. Wilderness Experience
14. Pabil Treks Pvt. Ltd, Chabahil
15. Himalayan Trust Pvt. Ltd, Dillibazar
16. Number Himal Treks Pvt. Ltd
17. Nilgiri Treks
18. Snow Leopard Trekking
19. Guldes for all Seasons

- 20. Sangboche Solul Wilderness Experience**
- 21. Summit Nepal Trekking, Kupondole**
- 22. Himalayan Expedition Inc., Lalitpur**
- 23. Himalayan Guides Nepal Treks & Expedition Pvt. Ltd.**
- 24. Himalayan Encounters Pvt. Ltd.**
- 25. Himalayan Excursions Nepal Pvt. Ltd**
- 26. Lama Excursions Pvt. Ltd.**
- 27. Great Himalayan Adventure Pvt. Ltd, Gairidhara**
- 28. Dharma Adventure Pvt. Ltd**
- 29. Peak Promotion Pvt. Ltd, Chhetrapati**
- 30. Sherpa Shangrila Treks & Expedition, Thamel**
- 31. Mountain Experience P. Ltd.**
- 32. Trans Himalayan Treks Pvt. Ltd, Lazimpat**
- 33. Mandala Trekking Agency Pvt. Ltd.**

Tourism Service Marketing in Nepal

List of Rafting Agencies and Airlines

Annex- P

Rafting Agencies

1. Crest River Adventure
2. Karnali River Tour & Expedition (P) Ltd.
3. Rapid Action Nepal (P) Ltd.
4. Equator Expedition, Thamel
5. Great Himalayan River, Lazimpat
6. Shiva's River Adventure, Thamel
7. White Water Nepal Pvt. Ltd., Thamel

Airlines

1. Royal Nepal Airlines
2. Buddha Airlines
3. Yeti Airlines Pvt. Ltd
4. Agni Air
5. Sita Air
6. Cosmic Air

Tourism Service Marketing in Nepal

List of Experts

Annex – Q

1. Acharya, Reader (Dr.) Sanjya, S.M.C, Thamel
2. Agrawal, Prof. (Dr.) Govinda Ram, Shankar Dev Campus, T.U.
3. Bajracharya, Prof. (Dr.) Puskar, Faculty of Management, T.U., Kirtipur
4. Basnet, Birendra Bahadur, Chairman, Buddha Air
5. Dahal, (Dr.), Ram Kumar, Central Department of Political Science, T.U., Kirtipur
6. Dhakal Deependra Purus, Ex-Secretary then HMG/Nepal, Ministry of Tourism and Civil Aviation
7. Gautam, (Dr.) Bishnu Prasad, Deputy Director, Nepal Rastra Bank, Research Division
8. Kandel, Prof. (Dr.) Puspa Raj, S.M. Campus, T.U.
9. Karki, Pramod, Joint Secretary Government of Nepal, Ministry of Finance
10. Khadka, (Dr.) Krishna Ram, Convenor, Training and Development Department, Nepal Administrative Staff College, Lalitpur
11. Khanal, Meena, Executive Director, Nepal Academy of Tourism and Hotel Management
12. Koirala, Prof (Dr.) Parasar, Former Dean, Office of Dean Management, T.U., Kirtipur
13. Koirala, Prof. (Dr.) Kundan Dutta, Former Dean, Office of Dean management, T.U., Kirtipur
14. Niroula, Subas, Senior Officer of Nepal Tourism Board
15. Pandey, Rabi Jang, National Program Manager – TRPAP.

16. Pandey, Shyam Bahadur, Chairman, Hotel Shangrila
17. Pokherel, Champak, Ex-member National Planning Commission, Government of Nepal
18. Poudel, (Associate Prof (Dr.) Soora Beer, Padma Kanya Campus.
19. Pradhan, (Dr.) Hari, Consultant, IUCN
20. Prasai, Shaker, Managing Director, Natraj Tours and Travels, Kathmandu
21. Roy, Nageswor, Director General, Nepal Airline Corporation.
22. Satyal, Yagna Raj, Writer on Tourism, Former Deputy Director then HMG/Department of Tourism
23. Sharma, (Dr.) Hari, Chairman, NATA
24. Sherpa, Mingma Norbu, Tourism Planning Specialist, TRPAP
25. Shrestha, Prof. (Dr.) Hari Prasad, Public Youth Campus, Dhobichaur.
26. Shrestha, Prof. (Dr.) Rajendra Prasad, S.M.C. (T.U).
27. Shrestha, Maheswor Bhakta, Aviation Consultant.
28. Shrestha, Prachanda Man, Joint Secretary WTO, Ministry of Industry, CEO, Nepal Tourism Board
29. Shrestha, Prof. (Dr.) Shyam Krishna, Public Youth Campus, T.U.
30. Thapa Lakhe, Nandini, Officer of Tourism Marketing and Promotion, Department of Nepal, Tourism Board.
31. Thapa, Bhim Kumari, Deputy Secretary, Government of Nepal, Ministry of Industry and Commerce.
32. Thapa, Himal, Section Officer, Nepal Government, Ministry of Industry and Commerce.
33. Tuladhar, (Dr.) Gyanendra Ratna, Freelance Tourism Consultant, Member Tourism Task Force HMG/Nepal, National Planning Commission.
34. Upadhaya, Prof. (Dr.), Rudra Prasad, Central department of Economics.