

**EFFECT OF TOURISM INDUSTRY ON GROSS DOMESTIC PRODUCT  
GROWTH OF NEPAL**

A Dissertation Submitted to the Office of the Dean, Faculty of Management in partial fulfillment of the requirements for the Degree of Master of Business Studies (MBS)

**By**

**Rim Bahadur Thada**

Campus Roll No:-715/076

Exam Roll No: - 23863/20

Registration No: - 7-2-325-117-2008

Shanker Dev Campus

Kathmandu, Nepal

Marketing

**July, 2024**

### **Certification of Authorship**

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Effect of Tourism Industry on Gross Domestic Product Growth of Nepal**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

.....  
Rim Bahadur Thada  
July, 2024

## REPORT OF RESEARCH COMMITTEE

Mr. Rim Bahadur Thada has defended research proposal entitled “**Effect of Tourism Industry on Gross Domestic Product Growth of Nepal**” successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Jhabindra Pokharel and submit the thesis for evaluation and viva voce examination.

.....  
Jhabindra Pokharel  
Dissertation Supervisor

Dissertation Proposal Defended Date:

.....

Dissertation Submitted Date :

.....

.....  
.  
Asso. Prof. Dr. Sajeeb Kumar Shrestha  
Research Department

Dissertation Submitted Date :

.....

## APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled “**Effect of Tourism Industry on Gross Domestic Product Growth of Nepal**” presented by Rim Bahadur Thada, for the degree of Master of Business Studies (MBS Semester) and conducted the viva-voce examination of the candidate. We hereby certify that the dissertation is acceptable for the award of degree.

.....  
Jhabindra Pokharel  
Dissertation Supervisor

.....  
Internal Examiner

.....  
Internal Expert

.....  
External Expert

.....  
Asso. Prof. Dr. Sajeeb Kumar Shrestha  
Chairperson, Research Committee

.....  
Asso. Prof. Dr. Krishna Prasad Acharya  
Campus Chief

## ACKNOWLEDGEMENT

This research entitled “**Effect of Tourism Industry on Gross Domestic Product Growth of Nepal**” has been prepared with the immense support, continuous supervision and motivation of distinguished personalities. The completion of the study is a result of help and support of several hands. Therefore, I would like to express my heartfelt gratitude to all those respondents for their help and support.

First of all, I would like to express my deep gratitude towards reverend supervisor Mr. Jhabindra Pokharel, who provided me valuable guidelines, insightful comments, encouragement, and generous treatment to complete this thesis. It would not have been possible for me to complete this research work without their unflinching supervision, trenchant advice, and direction. Therefore, I owe a great debt of gratitude to him.

Besides, I owe a debt of gratitude to Asso Prof. Dr. Sajeeb Kumar Shrestha (chairperson, Research Committee) for his timely and continuous guidance throughout the study. Likewise, I am grateful to Asso. Prof. Dr. Krishna Prasad Acharya, Campus Chief and also highly appreciate the efforts of all teacher and other members of Shanker Dev Campus. Also heartfelt thanks to the staff of library for providing their valuable support and cooperation. I am sincerely indebted to all the support that I have received from Shanker Dev Campus.

Finally I am grateful to my parents, family member and friend for their full encouragement and support in order to make this study come fruitful. Their continuous motivation towards the path of my academic pursuit, constant financial and moral support has steered me to complete my Master’s Degree.

Researcher

Rim Bahadur Thada

July, 2024

## Table of Content

	Page No.
<i>Title</i>	<i>i</i>
<i>Certificate of Authorship</i>	<i>ii</i>
<i>Report of Research Committee</i>	<i>iii</i>
<i>Approval Sheet</i>	<i>iv</i>
<i>Acknowledgement</i>	<i>v</i>
<i>Table of Content</i>	<i>vi</i>
<i>List of Table</i>	<i>vii</i>
<i>Abbreviations</i>	<i>ix</i>
<i>Abstract</i>	<i>x</i>
<b>CHAPTER I: INTRODUCTION</b>	<b>1-9</b>
1.1 Background of the study	1
1.2 Statement of the Problems	5
1.3 Objective of the study	7
1.4 Rationale of the study	7
1.5 Limitation of the study	8
1.6 Organization of the study	8
<b>CHAPTER II: REVIEW OF LITERATURE</b>	<b>10-28</b>
2.1 Conceptual Review	10
2.1.1 Definition of Tourism	10
2.1.2 Nepalese Tourism Industry	11
2.1.3 Challenges of Development of Tourism Industry in Nepal	12
2.1.4 GDP and Economic Growth	15
2.1.5 GDP growth Determinants	15
2.1.6 Impact of COVID-19 on Tourism Sector	16
2.2 Theoretical Review	17
2.2.1 Economic Growth Theory	17
2.2.2 Keynesian Theory on Government Expenditure and Economic Growth	18
2.2.3. Dependency Theory	19
2.3 Empirical Review	19
2.3.1 Review of international Journal	19
2.3.2 Review of National Journal	24
2.4 Research Gap	27

<b>CHAPTER III: METHODOLOGY</b>	<b>29-35</b>
3.1 Research Design	29
3.2 Population and Sample	29
3.3 Sources of Data	30
3.4 Data analysis tools and Techniques	30
3.4.1 Statistical Tools	30
3.5 Research Framework and operational definition of variables	32
<b>CHAPTER IV: RESULTS AND DISCUSSION</b>	<b>36-49</b>
4.1 Results	36
4.1.1 Analysis of the Status of Tourist Arrivals in Nepal	36
4.1.2 Analysis of the Status of Average Length to Stay	38
4.1.3 Analysis of the Status of Royalties from tourism Industry	38
4.1.4 Analysis of the Status of Foreign Exchange Earning	39
4.1.5 Analysis the Status of Employment from Tourism Industry	40
4.1.6 Analysis the Status of GDP contribution from tourism industry	42
4.1.7 Descriptive Statistical analysis of the Variables	42
4.1.8 Correlation analysis of the variables	44
4.1.9 Regression analysis of the variables	45
4.2 Discussion	47
<b>CHAPTER V: SUMMARY AND CONCLUSION</b>	<b>50-54</b>
5.1 Summary	50
5.2 Conclusion	51
5.3 Implication	53
<b>REFERENCES</b>	

## **LIST OF TABLES**

Table 1 Status of the tourist arrival in Nepal	37
Table 2 Status of the Average length to Stay in Nepal	38
Table 3 Status of Royalties from tourism industry	39
Table 4 Status of foreign exchange earnings from tourism industry	40
Table 5 Status of Contribution on Employment from tourism industry	41
Table 6 Status of Contribution on GDP Growth from tourism industry	42
Table 7 Descriptive statistic of the variable	43
Table 8 Correlation Analysis	44
Table 9 Model Summary	45
Table 10 Goodness of fit of regression (ANOVA)	46
Table 11 Coefficient of Regression	46

## **LIST OF ABBREVIATIONS**

CBS	:	Central Bureau of Statistics
FEE	:	Foreign Exchange Earning
FOREX	:	Foreign Exchange Earning
GDP	:	Gross Domestic Production
GON	:	Government of Nepal
i.e.	:	That is
LS	:	Length to Stay Tourist
MBS	:	Master of Business Studies
MOCTCA	:	Ministry of Culture, Tourism and Civil Aviation
MOF	:	Ministry of Finance
NRB	:	Nepal Rastra Bank
NTB	:	Nepal Tourism Board
NTS	:	Nepal Tourism Statistics
S.D.	:	Standard Deviation
SPSS	:	Statistical Package for Social Science
TAAN	:	Travel Agents Association of Nepal
TTA	:	Total Tourist Arrivals
TU	:	Tribhuvan University
USD	:	United States Dollar
WB	:	World Bank
WTO	:	World Tourism Organization
WTTC	:	World Travel and Tourism Council
IMF	:	International Monetary Fund

## ABSTRACTS

The purpose of this study is to investigate the patterns of visitor arrival, duration of stay, employment, royalties, and foreign exchange earnings in Nepal as well as the effect of tourism on the country's GDP growth. The research design used for this study combined descriptive and analytical methods. Data were gathered from secondary sources, and their interpretation was done using both quantitative and qualitative methods. The data and information were presented using straightforward quantitative techniques like ratios, percentage computations, and statistical graphs. Descriptive formats were used in conjunction with the relevant figures and tables to illustrate the findings. Secondary data from 2013–14 through 2022–23 were used to perform the study. The dependent variable is gross domestic product, while the independent variables are tourist arrival, duration of stay, employment, royalties, and foreign exchange earnings. The correlation analysis shows that while tourist length of stay and royalties have a negative and significant relationship with GDP growth, tourist arrivals and foreign exchange earnings have a positive and substantial relationship with GDP growth. Likewise, the relationship between GDP growth and employment is negligible. Regression study results show that there is a positive and substantial relationship between GDP growth and tourist arrivals, royalties, employment, and foreign exchange earnings; however, there is no significant relationship between GDP growth and the length of stay of tourists.

**Keywords:** *GDP, Tourism, Royalties, Employment and Foreign exchange earning*

# CHAPTER-I

## INTRODUCTION

### **1.1 Background of the study**

Tourism is a key source of revenue for so-called "tourist destinations". Tourism also helps to sustain the quality of service and other characteristics of those areas through the location's reputation. A good reputation is incredibly important for a location that wants to attract tourists since it helps to generate cash and keep people employed. However, tourism can have a negative impact on the local ecosystem as well as the host country. Tourism varies by season, which can lead to overcrowding and other negative externalities such as crime, pollution, and waste. Furthermore, due to increased demand, prices in tourist sites may rise (Theobald, 2005).

The tourist sector encompasses multiple industries and products, with corresponding demands fulfilled by a variety of commodities and services that are not only functionally distinct but also spatially dissimilar. The tourism sector combines many aspects of its offering to produce package services. The tourism sector combines several aspects of its offering to form a service package that helps generate income, jobs, and foreign exchange. The majority of tourism facilities are inflexible by design, and the products offered to visitors are very perishable. Additionally, the expenses incurred by travelers are multiproduct in nature. A tourist's dollars spend sends signals to several economic sectors (Kharel & Kharel, 2020).

In order to generate income, jobs, and foreign exchange, the tourism industry combines several product elements to form package services. The products sold to visitors are extremely perishable, so the size of the facilities needed by them must be planned rigidly. Additionally, the expenses incurred by travelers are multi-product in nature. A tourist's dollar spends sends signals to several economic sectors. The expansion of tourism has had a profound effect on a nation's sociocultural, economic, and physical environments. One cannot regard the result of rising tourism as a standalone occurrence. Thus, it has come up as an important connecting in gearing up the pace of socio-economic development world over. The quantity and caliber of tourism encompass a wide range of activities that develop and correlate both vertically and horizontally with other productive activity sectors, causing the economic wheel to continuously turn (Jenkins & Henr, 1982).

One economic sector that has the potential to expand quickly and guarantee significant infrastructural development at the destinations is tourism. It has a multiplier effect on the economy and can benefit from the nation's success in the services sector. Through its cross-sectorial synergies and back-and-forth links with industries like agriculture, horticulture, poultry, handicrafts, transportation, construction, etc., tourism promotes other economic sectors. These connections thus lead to the creation of new sources of revenue and job opportunities (Sharma, 2018). If tourists buy local products and commodities, the arrival of tourists will benefit. As a result, it is preferable for tourists to use local products rather than imports (Paudyal, 2012).

Based on the services offered and locations of these services, which ultimately aid in the development of the nation's infrastructure, the majority of industrialized and emerging nations view building a robust tourism industry as a critical component of their long-term economic growth. As per the annual research conducted by the World Travel & Tourism Council (WTTC) in 2018, travel and tourism is experiencing rapid growth globally, with estimated yearly revenue of US\$ 8.8 trillion and a contribution of 319 million jobs to the global economy. Additionally, over 600 million international tourists visit various parts of the world each year (Mahatara, 2019).

In this global age, tourism has discovered its potential as a national development engine. It is seen to be a key factor in a nation's ability to reduce its current account deficit through growth and foreign exchange profits. It has gained traction in international relations as a basis for enhancing political, cultural, and economic ties between countries. A steady stream of foreign cash is ensured by tourism, which the nation can employ to import capital products and therefore create capital. When considering the economy, tourism which is occasionally called an industry does not use input factors or operate the variables that are normally used in the production process. Due to its labor-intensive nature and ability to provide services to both the domestic and foreign economies, it is seen as a component of the non-traded market. This makes up the balance of payments account's intangible portion (Ghartey, 2010). These days, the tourist sector helps a number of countries with their foreign exchange earnings. It also has a big impact on the social, cultural, and economic development of

many nations. If handled well, it might result in more output, a better standard of living, improved public health, and high-level jobs (Assadzadeh & Nasab, 2012).

The expansion of tourism has had a profound effect on a nation's physical environment, economy, and society. One cannot regard the result of rising tourism as a standalone occurrence. Indeed, it has emerged as a critical component in accelerating the rate of socioeconomic development globally. The quantity and caliber of tourism encompass a wide range of activities that develop and correlate both vertically and horizontally with other productive activity sectors, causing the economic wheel to continuously turn (Jenkins & Henr, 1982). Based on the services offered and locations of these services, which ultimately aid in the development of the nation's infrastructure, the majority of industrialized and emerging nations view building a robust tourism industry as a critical component of their long-term economic growth. As to the annual research conducted by the World Travel & Tourism Council (WTTC) in 2018, travel and tourism is seeing rapid growth globally, with approximate annual revenue of US\$ 8.8 trillion and a contribution of 319 million employments to the global economy. In a similar vein, more than 600 million foreign visitors travel to various destinations worldwide each year (Mahatara, 2019).

One of the primary sources of income for many developing nations, including Nepal, is now tourism. Given its reputation for having snow-capped mountains, a wealth of flora and wildlife, thrilling trekking routes, and a diverse range of cultures and religions, Nepal has a great deal of potential to become a major tourist destination. The 2020 survey includes 136 economies worldwide, with China ranked 15th, India 40th, and Nepal ranked 103<sup>th</sup>. Nepal has a lot of potential for the growth of tourism, which can promote development and economic progress. In Nepal, tourism is the primary driver of regional development, contributing positively to GDP, employment, and productivity. The contribution that tourist receipts make to the nation's GDP and job creation can be used to determine the significance of tourism. The primary economic impact of tourism stems from the fact that money that would typically be generated by an individual at his place of residence is instead spent in the destination that he visits (Kharel, 2020).

The causes of economic growth vary greatly depending on the country in question. The development of various sectors might be the cause of increasing economic level,

despite the fact that development and the resources of the host countries are strongly related. Since the tourist industry depends on people who choose to spend their spare income abroad despite earning their salary in a particular nation, it is an intriguing area to research in regard to economic growth. In many nations, the tourism industry is becoming more significant. International tourism is rapidly growing and now contributes significantly to the economies of newly industrialized nations (Dwyer & Forsyth, 2016).

Nepal's population is very diverse in terms of religion, culture, and wildlife. Both tangible and intangible cultural legacies are distinctive and abundant in Nepal. These elements work together to make Nepal a popular destination for tourists (Ghimire, 2019; Pradhan et al., 2022). Foreign tourists to Nepal were not formally recorded until 1962, when the nation's first tourism statistics were kept. The number of visitors in 1962 was 6,179, according to the tourism data for 2021. By 1990, it was 41.25 times higher (254,885), and by 2019 it was 1,812.14 times greater (1,1197,191). COVID 19 has had a major effect on the travel and tourism business worldwide. As a result, Nepal saw 230,085 and 150,962 visitor arrivals in 2020 and 2021, respectively. It decreased 34.3% from the previous year and by about 80.78% in 2020. The United States (15.13%), China (4.1%), Bangladesh (3.3%), the United Kingdom (5.7%), India (42.8%), and the United States (15.13%) are the five main tourism-producing nations in Nepal. Three hundred and thirty-seven (0.3%) and 150,625 (99.7%) of the foreign arrivals came via road (MoCTCA, 2021).

Among the many challenges facing Nepal's tourism industry development have been sociopolitical issues that were followed by a protracted period of political transition; other challenges include natural disasters like the 2015 earthquake and COVID 19, which had a detrimental effect on foreign tourists visiting the country (Kc et al., 2021; Shivakoti, 2021). The two primary problems with Nepalese tourism are low levels of arrivals and low daily expenditure per visitor (Badal, 2019; Kc et al., 2021; Shivakoti, 2021). Nonetheless, Nepal has persistently endeavored to expand its share of the worldwide tourist sector by several marketing campaigns, including Visit Nepal (1998), Nepal tourist Year (2011), and Visit Nepal (2020) (Badal, 2019; Paudel et al., 2021). Economists have become interested in the causal relationship between tourism-related income and economic growth in emerging nations because of the substantial

policy implications. The paper's main strategy is to evaluate the relationship between Nepal's tourism sector and economic growth.

For those who enjoy the real and captivating, Nepal is the perfect travel location. More than 45 percent of tourists come here to view the natural resources, which are combined with the hot jungles of Terai, the highlands of the snowy peak, and an abundance of rivers. Religious sites, mountain climbing, hiking, paragliding, hot air balloon rides, bungee jumping, and many other unexplored and untouched activities are what draw travelers to Nepal.

Nepal is a special location where one may see Asiatic rhinoceroses and Royal Bengal tigers, as well as 15 national and wildlife parks (two of which are UNESCO heritage sites). For the reasons mentioned above, Nepal is a popular destination for travelers looking for something different, and it goes without saying that tourism is the backbone of the Nepalese economy (MOFA, 2022; Murarka, 2022).

The travel and tourism industry is particularly susceptible to a number of calamities, such as natural disasters, pandemics, and terrorism. As a result, the tourism industry needs to be ready for both defensive and recovery actions at all times. Since tourism depends on travel, any factor that influences travel, like COVID-19, could have a negative impact on the tourism industry (Yeh, 2021). It is true that Covid-19 has significantly diminished the necessities of leisure trips and gates to hedonism (Kaushal & Srivastava, 2021). Many Nepalese tourism industries, such as aviation, trekking, climbing, and hospitality, experienced widespread unemployment, the loss of nearly 10,000 jobs, and a reduction in revenue and means of subsistence (Joshi et al., 2022). As a result, a strong apparatus is needed to revive the travel and tourism sector for the nation that depends on it.

## **1.2 Statement of the Problems**

Nepal is experiencing a severe shortage in foreign trade. This is because Nepalese goods and services are not very competitive in the domestic and global markets. For Nepal, increasing exports is a difficult task. Under such circumstances, tourism may be a means of lowering the trade imbalance. 2020 was originally scheduled to be Visit Nepal Year, but the COVID-19 outbreak forced the cancellation of that year. In a context like this, it's critical to examine how tourism affects the Nepali economy. The

relationship between tourism and growth in many nations has been extensively studied, since the tourist sector has drawn significant interest as a possible driver of economic expansion. However, in Nepal's situation, despite the government's emphasis on the tourism sector, there are surprisingly few such studies. This study aims to close this gap and adds to the body of knowledge about the relationship between economic growth and tourism. More precisely, this study's goal is to examine how tourism affects Nepal's economic expansion. Domestic travel is not taken into account in this analysis. Since there were no time-series data available for domestic travel, the research was limited to travel abroad (Bhattarai & Karmacharya, 2022).

The tourism industry in Nepal is still not growing enough to meet the rising demand for these services, and investments in this sector are still below the desired level, despite the country having a variety of tourism resources, including financial, human, and other resources, and a conviction about the sector's importance in economic and social development.

The tourism industry in Nepal has encountered various challenges in its development. These include sociopolitical issues that were followed by an extended period of political transition, among other things, natural disasters like the 2015 earthquake, and COVID-19, which had a negative effect on foreign tourists visiting Nepal (Kc et al., 2021; Shivakoti, 2021). Nepalese tourism faces two key challenges: low numbers of arrivals and low daily expenditure per visitor (Badal, 2019; Kc et al., 2021; Shivakoti, 2021). However, Nepal has continuously worked to increase its share of the world tourism market through a variety of marketing campaigns, including Visit Nepal in 1998, Nepal Tourism Year in 2011, and Visit Nepal in 2020 (Badal, 2019; Paudel et al., 2021). Economists have become interested in the causal relationship between tourism-related income and economic growth in emerging nations because of the substantial policy implications. The paper's main strategy is to evaluate the relationship between Nepal's tourism sector and economic growth.

The tourism industry is one that typically makes up a large portion of a country's GDP. The majority of the countries suffered as a result of the recent economic crises in Europe. The tourism business in Nepal is negatively impacted by risks such as poor infrastructure, transportation issues, pollution, environmental hazards, global warming, and natural disasters. This survey was conducted to find out how the tourism business is performing right now. The financial impact of the tourism business on Nepal's GDP, variables influencing the tourism sector, and an effort to

identify the industry's challenges are the main topics of this study. More specifically, this project is expected to address the following research challenges:

- i. What is the trend and structure of tourist arrivals, length to stay, royalties, Foreign exchange earnings and direct employment in Nepal?
- ii. Is there any relationship among GDP growth, tourist arrivals, length to stay, royalties, Foreign exchange earnings and direct employment?
- iii. Do tourist arrival, length of stay, royalties, foreign exchange earnings and direct employment have effect on GDP growth?

### **1.3 Objectives of the Study**

Numerous studies on the economic effects of the tourist sector have been carried out in various nations; however, a thorough investigation of this kind has not been undertaken in Nepal. Thus, the main objective of this article is to analyze how the tourist sector affects GDP growth in the Nepalese economy. The research's particular goals are:

- i. To assess the trend and structure of tourist arrivals, length to stay, royalties, Foreign exchange earnings and direct employment in Nepal.
- ii. To examine the relationship among GDP growth, tourist arrivals, length to stay, royalties, Foreign exchange earnings and direct employment.
- iii. To analysis the effect of tourist arrival, length of stay, royalties, foreign exchanges earnings and direct employment on GDP growth.

### **1.4 Rationale of the Study**

This research would deepen our understanding of the connection between Nepal's GDP growth and the tourism industry. This study would have aimed to present a realistic grasp of Nepal's existing tourism scenario and a clearer image of the changes that must be made in order to continue on the current path and meet the government's objectives. The study's recommendations will assist the government in improving the performance evaluation procedure to grow and maintain the tourism industry.

This study contributes to filling in the gaps in the evidence that the Nepali literature is lacking. This research seeks to advance knowledge in a field of study, acquire evidence for theories, and enlighten action. The importance of research is discussed in this study, along with the many reasons why it matters to stakeholders, independent academicians, policymakers, researchers, and tourists in order to create action plans, effective strategies, and sustainable tourism practices that will maximize the industry's potential for equitable and sustainable economic growth.

### **1.5 Limitation of the study**

Every research project has its own goals and constraints, and no study can be conducted outside of these parameters. The study's limitations are as follows: The focus of the current study was the tourist sector in Nepal. Every piece of information was derived from data that was shared by Nepal's numerous governmental and non-governmental organizations.

1. The sources of data were collected as secondary i.e. from 2013/14 to 2022/23
2. This study was based on the impact of tourism industry and GDP growth of Nepal.
3. The sources of data collection are secondary
4. Due to the lack of time, accurate information, this study may not show the various issues of tourism.
5. The present study is limited to Nepalese tourism and it does not cover other than the tourism area in Nepal.

### **1.6 Organization of the study**

The three main sections of the study are the preliminary, the report's body, and the supplementary. The title page, declaration of authenticity, certification, acknowledgements, table of contents, list of tables, list of figures, list of abbreviations, and abstract are all included in the preliminary section. The introduction, related literature and theoretical framework, research methods, analysis and results, summary, conclusion, and implications comprise the remaining five sections that make up the report's body. The reference, an appendix including a questionnaire, and a summary of replies are included in the report's conclusion section.

The study's background, problem statement, research questions, investigational purpose, study hypothesis and rationale, limitations, and study organization make up the introductory section that sits beneath the main body of the work.

The results of earlier studies that are relevant to the current topic are covered in the literature review section. To set the groundwork for the study, a variety of studies pertaining to the tourism industry's impact on GDP are reviewed. The chapter also includes a theoretical framework that defines each independent and dependent variable in light of earlier research.

The study's researcher methodology is covered in the third chapter. It includes the population and sample, research design, data sources, instrumentation, validity and reliability tests, data processing, and software utilized.

The analysis and findings of the study are presented in the fourth chapter. It is made up of a large number of tables and figures that are intended to answer the research question and purpose. A summary of the study's results, conclusions, and implications is provided in the last chapter. The research's general conclusions are succinctly outlined in the summary section. Ultimately, conclusions and their ramifications were presented.

At the conclusion of the research, the References and Appendices are provided.

## **CHAPTER- II**

### **REVIEW OF LITERATURE**

Improving one's understanding in a particular field, identifying possible areas of contribution, and drawing inspiration for designing a research plan are the goals of completing a literature review. Every study starts with the body of prior research in the field. It's crucial to use a variety of resources, such as books, scholarly journals, research papers, periodicals, articles, unpublished theses and reports, and periodicals. The results of earlier studies cannot be disregarded. Furthermore, it is imperative to evaluate previous investigations. Through the generation of insights from various investigations, this chapter contributes to knowledge acquisition. It serves as a useful resource for obtaining data to enlighten and improve knowledge. The chapter is usually divided into three primary sections in order to efficiently organize and deliver this material:

- Conceptual Review
- Theoretical Review
- Empirical Review

#### **2.1 Conceptual Review**

This part focuses on exploring the conceptual underpinnings of the tourist industry while also providing a thorough analysis of pertinent literature regarding the tourism sector and its impact on GDP growth. Additionally, a full analysis and clarification of the literature pertaining to the factors influencing the tourism industry's GDP contribution is provided. In order to determine the underlying relationship between the independent and dependent variables, the researcher explores the definitions and theories that form the basis of each of these variables in this chapter. A summary of earlier empirical studies in this topic, carried out by various scholars, is also provided. In the end, these empirical studies point out possible study gaps and provide insightful information that helps the researcher focus on areas that have the potential to significantly expand knowledge in this particular field.

##### **2.1.1 The Definition of Tourism**

Traveling and being away from home for business, pleasure, or other purposes is referred to as tourism. In the majority of the world's industrialized and developing nations, it serves as the primary source of revenue for sustaining livelihood. It affects

the physical infrastructure, culture, customs, economics, and environment. Major tourism activities in mountainous locations, such as trekking and mountaineering, have improved locals' quality of life. Young people can find work as porters and mountain guides thanks to tourism, which also helps them make ends meet. Additionally, it has produced chances for the creation of new businesses through the operation of grocery stores, gift shops, tea houses, and lodges adjacent to the trails (Sherpa, 2006).

The tourism industry is robust because it can draw in fresh perspectives and shun established customs. Different people experienced the effects of climate change on tourism in different ways. The focus group participants were uncertain about who would benefit and who would suffer from climate change. The tourist industry benefits from climate change in terms of product innovation and traveler rearranging. The tourism industry will be negatively impacted by the rapid melting of permafrost and glaciers in alpine regions, which is linked to climate change events. In order to prepare for unfavorable changing scenarios, local tourism stakeholders played a significant role in putting climate change adaptation strategies into action (Wyss, et al., 2014).

Traveling for pleasure or recreation is known as tourism. People who "travel to and stay in places outside their usual environment for not more than one consecutive year for leisure, business, and other purposes not related to the exercise of an activity remunerated from within the place visited" are considered tourists, according to the World Trade Organization. As long as visitors do not intend to stay permanently and are not connected to any type of employment, tourism can be defined as the culmination of the experiences and relationships that arise from their travels and stays (McCabe, 2005). In its 1994 Recommendations on Tourism Statistics, the United Nations categorized tourism into three categories: domestic tourism, which refers to travelers who are nationals of the destination country and only travel there; Outbound tourism, which includes inhabitants traveling abroad, and inbound tourism, which includes visitors who are not citizens of the country in question (Al- Shabbar, 2016).

### **2.1.2 Nepalese Tourism Industry**

1. Natural Tourism: discovering conservation areas by biking, hiking, trekking, climbing, and paragliding; exploring forests, mountains, beaches, and other

natural features; and engaging in other adventurous tourism activities in Nepal, such as mountaineering, trekking, hiking, cycling, paragliding, sightseeing, waterfalls, caves, canyoning, flora and fauna, bird watching, and jungle safari.

2. Cultural tourism: living among indigenous groups, taking part in everyday pursuits and cultural events like music, dance, and the arts, customs or religious holidays, festivals, way of life, and rural tourism experiences including farm stays and home stays.
3. Agro-Eco-Tourism: traveling to rural areas to take part in handicrafts, cattle, and other traditional agricultural activities, as well as agricultural production. Sustainable development and environmental conservation are linked to tourism.
4. Historical tourism: traveling to designated locations to view architecture, sculptures, monuments, military, or religious relics, local museums, paleontologically significant sites, and the archeological remnants of ancient cultures (Sharma, 2017).
5. Religious Tourism: This is also referred to as "faith tourism" and includes travel for missionary, pilgrimage, and other similar reasons (Poudel, 2017).
6. MICE and Education Tourism: In the travel industry, "MICE" stands for meetings, incentives, conferences, and exhibits. A specialist segment of group tourism known as the MICE market is responsible for organizing, scheduling, and arranging conferences, seminars, and other events. This segment of the travel business is quite profitable. With its excellent weather throughout the year, Nepal is a great place for workshops and training. Visitors from all over the world are welcome to come to Nepal and coordinate the program (Pokharel, Poudel, Sharma, & Grala, 2017).

### **2.1.3 Challenges of Development of Tourism industry in Nepal**

#### **1. The Insufficient Infrastructures**

Nepal has to prioritize developing its infrastructure. There are currently no new airports in Nepal. The path is difficult, uneven, and bumpy. Before 2020 begins, the government must give some serious consideration to a number of important

challenges, including a lack of funding, resources, and security, as well as widespread corruption (Thapa, 2018). Nepal's air connectivity to key tourism source markets remains inadequate. Additionally, Gautam Buddha Airport in Bhairahwa and Pokhara International Airport in Pokhara are scheduled to open by the government. The maintenance of Tribhuvan International Airport and other nearby airports is ongoing, as is the construction and management of the airport. Additionally, land traffic between Bangladesh and its neighbors, China, Bhutan, and India, would be enhanced. Therefore, it is difficult to create the tourism infrastructure in a short amount of time. The correct economic growth of our country is hampered by a divided population, political instability, issues with laws and orders, inadequate infrastructure development, bad management of its valuable tourism sector, and labor unionism. Nepalese government, planners and policy makers must study how the country could 'catch up' with its fast growing neighbors under the given constraints (K.C. & Bhattarai, 2018)

## **2. Insufficient Investment in Tourism**

Nepal should spend more in the travel and tourism industry. The United Nations now lists Nepal as a least developed country (LDC); by 2022, it hopes to rise out of this classification and become a middle-income nation by 2030. By 2020, infrastructure investment of USD 13–18 billion and an economic growth rate of 7-8% are needed to meet these aims (Teker & Teker, 2012). (Dahal, 2018). Nepal is ranked second among all South Asian countries, only behind Bhutan, in the International Finance Corporation (IFC) World Bank Group's 2017 Ease of Doing Business Index. These characteristics, along with Nepal's investment potential, have increased interest in FDI in recent years. Despite this, Nepal has obstacles in creating an investment project bank for tourism development. The World Travel and Tourism Council (WTTC) released a report titled Travel and Tourism Economic Impact 2018, which indicates that overall investments in the tourism sector reached Rs 17.3 billion in 2017, up from Rs 16.5 billion in 2016. In 2017, the tourist industry received 2.3 percent of all investments made in the nation. According to the council, investments in Nepal's tourist industry will rise by 7.6% in 2018 and by 4.7% a year for the following ten years, totaling Rs 29.4 billion by 2028.

### **3. Limited connectivity and weak national carrier**

Nepal needs to strategically implement the Indo-Pacific Plan's MCC (Millennium Challenge Corporation) and China's RBI (Road and Belt Initiatives). Historically, the Himalayan mountains have served as a barrier separating China and Nepal, but soon, tunnels, roads, and railways will be built. If technology prevails in the conflict between geography and technology, Nepal will be embraced by China. However, India can maintain its political, strategic, and geopolitical influence over Nepal as long as geography is a factor (Thapa, 2018). Political geography will be relevant in connection to China, India, and Nepal's trilateral relations. The two nations have constructively collaborated in a number of areas. Through China's Belt and Road Initiative, the two parties hope to deepen their collaboration even more (Dahal, 2018). Numerous agreements for cooperation, such as the Economic and Technical Cooperation Agreement, have been inked by the two parties. In areas like infrastructure, power development, communication, agriculture and technology, education and culture, tourism and aviation, capacity building, health, people's livelihood, disaster prevention and mitigation, and the restoration of cultural heritage, China is an essential development partner for Nepal.

### **4. Weak Coordination among Government Agencies**

Travel and tourism is an extremely delicate, volatile, and susceptible industry everywhere in the world, including Nepal. Its entire tourism heritage can be destroyed by one unfortunate incident. According to Chhetri (2018), the country's Weberian bureaucratic model aims to uphold justice and develop democracy. The middle class, which includes bureaucrats, nonprofit employees, lawyers, medical professionals, businesspeople, professors, and so on, is known for supporting democracy and for being a champion of disobeying the law and the constitution. Bureaucrats behave and think more like members of the old-fashioned political system. It is hard to impose the rule of law in such a society. It has been shown in multiple study findings that "no rule of law, no democracy". In this regard, Nepali modern bureaucracy is out of place and no longer relevant. (Chhetri, 2018). Because state institutions have been politicized, constitutional bodies lack the independence to perform their duties. In a similar vein, the national agencies tasked with combating corruption are powerless to really stop wrongdoing. Citizens of a democratic republic enjoy a number of fundamental civil and political rights. The constitution's declaration of human rights

and liberties (Chhetri, 2018). The bureaucracy of Nepal has to play an improved good governance based administrative roles. In order to interact with people and visitors, they must demonstrate that they are open, accountable, and responsible.

## **5. Ineffective Marketing**

There is a severe shortage of resources for active public relations and consumer advertising. Nepal has not yet implemented any particular tourism marketing model. Lumbini and the mountains are the sole products being marketed; anything else requires product development first. Strong publicity is required. Tourism is a unique industry, according to Cristina Jonsson of the University of the West Indies, and applying marketing principles to it requires addressing at least seven significant sub-sectors or dimensions: travel, transportation, lodging, food and beverage, tour operators, attractions, and merchandisers. Marketing efforts must be diverse and focused on a variety of target audiences. Tourists are customers.

### **2.1.4 Gross Domestic Production (GDP) & Economic Growth**

The value of all finished goods and services produced in the nation, usually over a one-year period, is measured by the gross domestic product. It is the entire output produced inside the boundaries of the nation. A few alternative methods exist for interpreting GDP, such as calculating it as the total of all employee remuneration and business surplus, as well as analyzing household, business, government, and tourism consumption. In essence, it is a metric used to show the total economic activity generated by a specific area, typically one that is contained inside a nation's boundaries (Callen, 2017).

Growth in aggregate productivity, which is typically expressed in terms of gross domestic product (GDP), is a result of the economy's ability to create a constant rise in products and services. The starting factor determining growth rates among nations is the current level of output in each country. Since a country's growth rate tends to be more sensitive to its starting level of per capita output, and hence the bigger its beginning level of human capital, poorer countries would typically grow per capita quicker than affluent countries (Barro, 2001).

### **2.1.5 Gross Domestic product (GDP) Growth Determinants**

In their study on the general factors influencing GDP growth across nations, Cooper and Barro (1997) discovered that factors such as increased life expectancy and initial

schooling, reduced fertility, decreased government consumption, stronger institutions, decreased inflation, and better terms of trade were all directly related to GDP growth. Countries that now enjoy high levels of political liberty and real GDP per capita would gain less from advancements in any of the variables (Cooper and Barro, 1997). According to Asheghian (2016), value added growth and domestic investment growth were the main drivers of GDP per capita growth. This study concluded that there was no causal connection between the rise of GDP per capita and foreign direct investment (FDI). This suggests that a country's GDP growth is an internal process that depends more on local than on external factors. Agraval and Khan (2011), on the other hand, disagree and assert that, when used properly, FDI may significantly boost the nation's economic growth. In his study on Eastern Europe, Weber (2011) also notes that foreign direct investment (FDI) is a primary driver of economic growth.

#### **2.1.6 Impacts of COVID-19 on tourism sector**

Traveling personally as well as exploring and visiting different parts of the world are all included in tourism. Traveling is the act of spending several days or weeks away from one's usual surroundings for purposes such as business, pleasure, or other reasons. Travel and tourism are currently thought to be the most important industry in the world, fostering social, economic, and professional advancement. The benefits of travel and tourism include their direct effects on GDP and employment, as well as their indirect profits from promoted influences and supply chain ties to other industries. The travel and tourism industry makes a significant financial development contribution to the global economy (Dey and Rahman, 2023).

By 2019, the travel and tourism industry contributes \$ 8.9 trillion, or almost 10% of the global financial GDP, to the international budget. In general, financial development was estimated to have grown by 3% in 2019, while the tourism and travel industry grew by 4%. Prior to the COVID-19 pandemic, the tourism industry was the largest contributor to the global economy, accounting for around 320 million employments worldwide and contributing around 10% of the world's GDP. One of the areas most affected by the COVID-19 pandemic is tourism, which has an impact on people's prospects, public services, lives, and economics across all landforms (Dey and Rahman, 2023).

As per the 2020 report by the World Tourism Organization (UNWTO), the tourism sector's export revenues experienced a decline from approximately US\$ 900 billion to US\$ 1.2 trillion. As a result, this had a significant impact and might cause the global GDP to drop from 1.5% to 2.8%. Approximately 7% of global commerce in 2019 was made up of chemicals and fuels, the two largest export categories, with tourism coming in third. The last COVID-19 epidemic had such severe effects on the tourist and hospitality industries that most employees were placed on probation and had their internships terminated. Employees were also asked to take periods of absence.

In addition, the world's largest economic sector is the tourist sector. It accounts for over 7% of global trade and is regarded as the third most important export class. According to Maliszewska, Mattoo & Mensbrugge (2020), data for certain countries indicates that the tourist industry accounts for 20% of GDP. UNTWO (2023) reports that the tourism industry employs a large number of people and supplies millions of people in both developed and developing nations with maintenance. In addition, the tourism industry's primary obstacles included infrastructural problems, taxation, safety concerns, and cross-border laws.

The COVID-19 pandemic's effects have caused the previously slowing tourism industry to progressively pick up speed in recent years. A total of 1.2 million tourists arrived in 2019, with the exception of those from India who arrived by land. However, the COVID-19 epidemic severely limited the number of tourists arriving in 2020 and 2021, with only about 230,000 and 151,000, respectively. However, there has been a discernible rise in tourist arrivals in 2022, with a total of 614,869 (Economic Survey, 2023).

## **2.2 Theoretical Review**

Examining and integrating the current theories and conceptual frameworks pertinent to the topic of study is the main goal of this part. It entails a thorough examination of the accepted wisdom, theories, and models that serve as the conceptual framework for the study.

### **2.2.1 Economic Growth Theory**

The most important contributions to the literature on economic growth have been made by Solow (1956) and Swan (1956). Despite working on the same project in the same year, they were not dependent on one another, and their models have appeared

in other publications and nations. They deduced from their observations that labor and capital were necessary for economic progress, and that these factors also affect technological change. In the growth literature, their models are regarded as the best available (Kan and Omay, 2011).

The Diamond model, which was created by Cass & Koopmans in 1965, is the next model related to Growth Theory. Their approach was created by incorporating accounting savings as internal to the model and modifying Ramsey's analysis. The model makes sure that the productive components of labor and capital are valued based on their marginal products, which is highly comparable to a decentralized competitive structure (Kan & Omay, 2011). Following Cass & Koopmans (1965), Arrow (1962) and Sheshinski (1967) presented the next Growth Theory model. Their models focused on maximizing the scale-return generated by investment and production.

### **2.2.2 Keynesian Theory on Government Expenditure and Economic Growth**

Government spending's contribution to economic growth has long been a source of worry for economists and policymakers in both developed and developing nations. Keynesian theory states that government spending is an exogenous element that can promote economic growth. According to Keynes (1933), government spending on tourism has a favorable impact on the economy. This idea is predicated on the roles played by the government in implementing aggregate demand during periods of economic stagnation or decline. Keynes thought that by raising aggregate demand, government spending could considerably boost economic growth. Incomes and economic activity will rise as a result of this expansionary fiscal policy, and unemployment will decline.

Moreover, Keynes (1936) claimed that the national income will rise in tandem with a rise in government spending. As a result, in Keynes' perspective, national income is correlated with government spending. Assuming that one of the exogenous variables to be used as a tool to estimate economic growth is government spending. While Keynesian economic theory is not conducive to government growth, it is a better theory for economic stabilization. The Keynesian theory of government spending is based on the experiences of developing nations whose expansionary fiscal policies were a major contributor to their economic success. While this approach has proven

useful in several developing nations, governments should not automatically adopt and adhere to it as the gold standard.

### **2.2.3 Dependency theory**

In the 1960s and 1970s, dependency theory (DT) gained popularity. It is an amalgam of multiple interconnected theories with a primary emphasis on the disparities between core capitalist nations and developing nations in the south. This idea contends that wealthy and established nations have historically prevented underdeveloped nations from developing. Three factors contribute to developing countries' economic reliance on development projects: (1) advanced technology transfer from industrialized nations; (2) large debt buildup and reliance on foreign investment; and (3) interest on debts passed back to wealthy nations.

## **2.3 Empirical Review**

Examining earlier empirical studies on the subject is the main focus of an empirical review. It entails a critical evaluation of earlier research, including its methods, conclusions, and contributions to the field's present understanding. This part provides a clear justification for the new study by outlining the findings as well as pointing out any gaps or contradictions in the previous research. The research employed the following hypotheses in this part that are relevant to this investigation.

### **2.3.1 Review of International Studies**

Chaudhary et al, (2023) tried to draw attention to the expansion and financial prospects of the Nepali tourist sector. With well-known tourist attractions including Mount Everest, Annapurna, Kanchenjunga, Pashupathinath, Khaptad Ashram, and Langtang, it has been discovered that Nepal has promising future potential in the tourism sector. In Nepal, adventure tourism can take two forms: hard and soft. Different governmental branches are allotting funds for the establishment of tourism destinations. Currently, the tourism sector generates 6.7% of the nation's GDP and is a significant source of foreign exchange reserves. In addition, the government budgets for the growth of the tourism industry and allocates funds from international aid programs and private domestic investment. The study's foundation is linear correlation analysis, which demonstrates a strong relationship between the GDP and the number of visitors. The Nepalese government has taken a number of steps to lessen the impact of the challenges and weaknesses that the tourism industry faces.

Liu (2022) examined how tourism affects Thailand's economic expansion. The impact of tourism on economies along the global value chain was also examined in the study. According to the report, from 2008 to 2019, the national output multiplier for air transportation ranged from 3.14 to 2.77, for hotels and restaurants from 2.59 to 2.26, and for other services from 2.05 to 1.77. For hotels and restaurants, the intraregional output multiplier ranged from 1.9 to 1.7, for air transportation from 2.1 to 1.9, and for other services from 1.6 to 1.4. Comparably, for hotels and restaurants, the interregional production multiplier varied from 0.5 to 0.4, for air transportation, and from 0.4 to 0.8 for other services. For all three sectors, there were fluctuations in the intraregional and interregional simple value-added multipliers over the study period. For all three sectors, the type I value added multiplier connections were found to be stable. It was discovered that the standardized total backward linkages were decreasing for inter-linkage but stable for total linkage and intra-linkage. For all three types of linkages total, intra, and inter the total backward linkage was shown to remain constant. It was discovered that the standardize total forward linkages for intra-, inter-, and overall links varied. The study found that there were spillover effects from all three sectors to other industries. It was determined that Thailand's tourism industry had a major impact on output and value added.

Naseem (2021) investigated the impact of tourism revenue, tourism spending, and visitor count on Saudi Arabia's economic expansion and assessed the correlation between these variables. The secondary data from 2003 to 2019 were used in the study. Using the Phillips Perron test, the tourist arrival was stationary at level and, using the Augmented Dickey Fuller test, it was stationary at first difference. The long-run link between the variables was tested using the Johansen co-integration test, which indicated that such a relationship existed. Using fully modified ordinary least squares, canonical co-integrating regression, and dynamic ordinary least squares, the author calculated the long-term association by co-integration regression. Long-term economic growth was found to be positively and significantly impacted by tourism receipts, tourism expenditures, and tourist arrivals using the completely modified ordinary least squares approach and the canonical co-integrating regression method. Through the use of the dynamic ordinary least square approach, it was discovered that the arrival and receipt of tourists had a long-term, positive, and considerable impact

on economic growth. The Granger causality test revealed that visitor arrivals were caused by economic expansion, indicating that growth drove tourism.

Rasool et al. (2021) examined the connection between BRICS countries' economic progress and tourism. Panel data covering the years 1995–2015 for the five BRICS nations—Brazil, Russia, India, China, and South Africa—was used in the analysis. The study used international tourism receipts per capita and financial development as independent variables, and economic growth as measured by GDP per capita as the dependent variable. According to the ratio of wide money to actual gross domestic product, financial development was being provided. The variables have logarithmic expressions. The results of the unit root test indicated that while tourism receipts and financial development were stationary at level, economic growth was stationary at first difference. For the investigation, an autoregressive distributive lag model was used. The research findings indicate a considerable co-integration between tourism, financial development, and economic growth during the studied period. Additionally, the study demonstrated a strong and favorable correlation between tourism-related revenue and financial development and long-term economic growth. The short-term projections demonstrated a strong and favorable correlation between tourism revenue and financial development and economic expansion.

Riberio and Wang (2020) analyzed the causal connection across tourism and economic growth in the case of Sao Tome and Principe (STP) utilizing the Tourism-led growth hypothesis over the period 1997-2018, using time-series data of the following variables: GDP, tourism receipts (TR), real exchange rate (EX), and foreign direct investment (FDI). The unit root was computed using Augmented Dickey-Fuller (ADF), and co-integration was computed using Johansen. The Granger causality approach was used to clarify the direction of causation between the variables. A unidirectional association was discovered between TR and GDP, as well as between FDI and all other variables (GDP, TR, EX).

Khan et al. (2020) investigated the connection between Pakistani poverty, economic growth, capital development, energy development, and agricultural development and tourism. According to the correlation study, poverty and poverty had a negative link, while there was a positive relationship with other variables. The application of the Phillips–Perron unit root test and the enhanced Dickey Fuller test resulted in

stationary variables, either in level or first difference. The study's use of an autoregressive distributed lag model revealed a long-term association between tourism and other variables. The long-term association demonstrated that, while tourism had a negative and substantial relationship with poverty, it had a positive and significant relationship with capital development, economic growth, energy development, and agricultural development. The short-term association between tourism and other variables was found to be the same, with the exception of the development of energy and agriculture. Granger causality demonstrated that while capital development had caused the development of tourism, tourism had caused economic growth, capital development, energy development, agricultural development, and poverty reduction.

Nyasha et al. (2020) investigated the impact of growing tourism on Sub-Saharan Africa's economic expansion. Out of 48 countries, 24 were defined as low-income sub-Saharan African countries and 23 as middle-income sub-Saharan African countries. The study looked at the impact of tourism on these groups of countries. The impact of tourism was examined using the Generalized Method of Moments. The findings demonstrated that while tourism receipts had a beneficial impact on economic growth, tourism expenditures had a negative impact. While tourism receipts had a favorable impact on economic growth, tourism expenditures had a negative impact on it in the low-income sub-Saharan African nations. However, in middle-income nations, tourism spending had an impact on economic expansion.

Pan and Dosou (2019) explored the connection between the Republic of Benin's economic expansion and tourism receipts. The research employed secondary data spanning from 1995 to 2015. The study employed tourism receipts and exchange rates as independent variables, and economic growth as measured by gross domestic product as the dependent variable. Logarithms were used to express the variables. The existence of unit roots of the variables was tested using the Phillips Perron test and the enhanced Dickey Fuller test, which demonstrated that every variable was stationary at first difference. The Johansen co-integration test was used to apply the vector error correction model. The findings demonstrated that tourism significantly and favorably impacted the Republic of Benin's economic growth, proving that travel drove growth.

Wu and Wu (2019) focused on the connection between China's economic growth (in eight provinces) and tourism receipts between 1995 and 2014. The study's findings were inconsistent. In the investigation, the Granger causality test was applied. Jiangxi, Shanxi, Heilongjiang, and Henan states disproved the theory that tourism drives economic growth. In contrast, the growth-led tourism concept was disproved in Heilongjiang and Hunan State. Anhui and Hubei states, as well as Jilin, adopted both theories.

Zuo and Huang (2018) addressed the hyperlink between economic growth and the degree of tourist specialization (TS) using a panel dataset that included 31 provinces in mainland China between 1995 and 2013. The indicators of tourism supply (TS) employed in the study were tourist arrivals as a percentage of host population (TA) and tourism receipts as a fraction of real GDP (TR). These measures correspond to the level/size and quality/structure dimensions of TS, respectively. Applying the system generalized method of moments (SYSGMM) regression, the findings imply that there is a significant N-shaped or inverted-U-shaped association between economic growth and tourist specialization.

Sharma (2018) identified the causal connections between India's GDP and tourism industry receipts. Using data from the Indian tourism sector from 1991 to 2017, the Granger causality test, Johansen for co-integration, and the Augmented Dickey-Fuller (ADF) for unit root were used to investigate the causal relationship between GDP and receipts from the sector. The study's conclusions demonstrated the existence of unidirectional causality between tourism revenues and economic expansion.

Priya and Rajasekaran (2016) looked into to learn more about the financial impact of tourism on India's GDP. The growth of tourism in India is intimately linked to the country's illustrious traditions and abundant cultural legacy. The largest service sector in India is the tourism sector. By 2019, it is anticipated that Indian tourism will surpass 400 billion. Due to its 2.9% increase in 2015, this indicates the sector's continued capacity to produce economic growth and jobs at a quicker rate than the global economy. The current research employs secondary data and is a descriptive study. The study design was created, the necessary data were gathered, the objectives were stated, and an appropriate analysis was provided. The study's conclusions show that the travel and tourism sector places a strong emphasis on the social and economic

contributions that support the sector's ability to grow sustainably. It also collaborates with governments and international organizations to foster prosperity, drive exports, create jobs, and have a positive GDP impact.

Leila Moradi et al., (2015) investigated e-tourism sector is vital to the economy. Iran's tourism sector is essential to the country's economic growth and the development of money for courtiers. This paper's primary goal is to examine the effective components of e-marketing strategy from both a theoretical and practical standpoint in the e-tourism business. Additionally, Iran, chain hotels, airlines, and trip operators are the subject of the inquiry. This research adds to the body of knowledge on the e-tourism business by providing a deeper understanding of the components of e-marketing strategies that are essential for the sector to support the national economy.

### **2.3.2 Review of Nepalese Studies**

Dhungana (2023) evaluated the connection between the tourism sector and the country's economic expansion. The GDP measures the expansion of the economy and the state of the tourism sector in relation to visitor arrivals, duration of stay, and gross foreign exchange revenues. The secondary data used in this analysis was gathered between 2000 and 2021 from the Nepal Tourism Statistics and the Economic Survey of Nepal. The tourism industry and economic growth are found to be causally related in both the short and long terms. The duration of stay, number of arrivals, and gross foreign exchange from tourism are among the markers of the development of tourism. The analysis found a unidirectional causal relationship between economic growth and both visitor duration of stay and gross foreign exchange profits. Proper government policies aimed at the tourism industry can quicken economic expansion. To support the tourism industry in Nepal for the long term, policymakers should devote enough attention to diversifying the tourism services, enhancing marketing initiatives, encouraging local communities, promoting sustainable tourism, promoting infrastructure improvements, and fostering partnerships between the public and private sectors.

Ghimire and Sapkota (2023) investigated the impact of revenue from foreign tourists on Nepal's GDP. The research reveals that the data exhibits a long run counteraction. The study's findings show that tourism has no immediate effect on GDP. A Granger causality test is utilized to ascertain the existence and direction of causality between

GDP and tourism revenues in order to delve deeper into the relationship. The results of the Granger causality test show a unidirectional causal relationship, where GDP influences tourism revenues causally but not the other way around. This suggests that rather than the other way around, tourism earnings are driven by Nepal's GDP growth. According to the error correction model's coefficient, 14.925% of movements into disequilibrium are fixed in less than a year. In order to establish a causal relationship between GDP and tourism, officials ought to think about developing and executing programs and policies that support the goal of tourism-driven economic growth.

Bhattarai and Karmacharya (2021) investigated the relationship between tourism and Nepal's economic growth using time series data from 1976 to 2020 and the autoregressive distributed lag (ARDL) technique. As the outcome variable, real GDP was utilized as a stand-in for economic growth, whereas tourism receipts was the variable of interest. The control variables included the amount of foreign aid, the overall volume of trade, and the ratio of government consumption expenditures to GDP. According to the ARDL model's result, Nepal's economic growth is not significantly impacted by tourism, either in the short or long term. On the other hand, whereas foreign aid, trade volume, and the ratio of government consumption expenditure to GDP all have positive and significant effects on economic growth over the long term, trade volume alone has a positive and substantial effect on economic growth in the near term. For Nepal, the tourism-led growth hypothesis is rejected in this context of the link between tourism and growth.

Kharel and Kharel (2020) examined how the tourist sector affects Nepal's economy economically. The tourism sector encompasses multiple industries and products, and the demand from tourists is complementary, requiring a variety of goods and services that are not only functionally distinct but also geographically dispersed. The majority of tourism facilities are rigidly designed, and the product offered to visitors is highly perishable. It begins with a summary of the context and then addresses the variables influencing the economic effects related to tourism using a model. The economic impact of the flow of total tourist arrivals in different fiscal years is quantified using a linear regression model and correlation, accounting for direct employment, foreign exchange earnings, GDP, and government royalties. Results reveal that there is positive economic impact of tourism industry in Nepalese economy.

Badal (2019) highlighted the tourism industry's potential for 2020, citing two million visitors, a million jobs created in the tourism sector, improvements in nature culture, connections to the economies of China and India, the creation of public-private partnership models, the decentralization of Nepalese tourism, and investment opportunities. The study actually identified a number of difficulties, including weak national carriers, inadequate investments, limited connection, inadequate infrastructures, poor government agency coordination, and a lack of resources and marketing. The tourism industry as a whole must overcome the obstacles that have been identified if it is to seize the opportunities presented by 2020.

Badal and Kharel (2019) discussed the potential and difficulties facing the tourist sector within the framework of Visit Nepal 2020. Other sectors of the economy need large amounts of capital and highly skilled labor, thus only tourism has the potential to completely change the country. Nepal is unable to compete with China in terms of industrial production and with India in terms of agricultural production. The government of Nepal has declared Visit Nepal 2020, which could mark a significant turning point in the country's economic development at this critical juncture. Cultural dilution is the result of Nepal's distinctive musical expression and vanishing cultural vibes.

Parajuli and Paudel (2018) researched Nepal's employment elasticity in the tourism sector. In order to estimate simple double log-linear equation-based individual coefficients, the paper combined annual data from the World Travel and Tourism Council (WTTC) on direct and indirect contribution to employment and GDP with data from Nepal Tourism Statistics on total tourist arrival and average length of stay. The paper's findings demonstrate that travel and tourism have a positive impact on GDP in a number of ways, including visitor exports, internal travel and tourism consumption, leisure and business travel spending, total number of arrivals, and average length of stay. Of these, the most significant and favorable employment elasticity is found in the average length of stay.

Jaiswal (2018) explored the role that tourism plays in Nepal's economic growth, examined the effects of tourism on the country's economy, and examined the industry's potential to generate foreign exchange, revenue, jobs, and trade. On secondary data, the study was built. The author has brought attention to the tourism

industry's contribution to GDP. The significance of tourism has also been discussed in the study, given its ability to generate income through taxes and duties as travel-related increases in the purchase of products and services. The study also emphasized how important tourism is to the nation's balance of payments because it serves as an imperceptible conduit for the export of goods and services. In addition, the writer has also emphasized the significance of tourism in terms of its potential to provide jobs and revenue for those operating travel, trekking, and hospitality businesses, among other businesses. The article emphasized how foreign capital investment had entered the nation through travel and tourism. The report also emphasized the impacts of trade and local development brought about by the growth of tourism.

KC (2017) concentrated on how the tourism sector is being impacted by climate change. He claimed that it is a pressing problem that has an impact on several environmental areas. In the areas of ecological, coastal, mountain, and nature-based tourism, there is a strong correlation between climate and tourism. He claims that because climate change causes seasonal and regional variations in the flow of tourists, there are more risks than opportunities. Appropriate preventive measures, rescue measures, and early warning systems should be put in place for Nepal's mountain tourism in order to reduce the negative effects on tourism.

Shrestha (2016) explored the opportunities and issues facing the tourist industry, as well as the effect of tourism on Nepal's economy. The study tackled difficulties with infrastructure, government policies, coordination, and the impact of tourism on the economy of the country. Notwithstanding these obstacles, the research found that tourism has good potential to create jobs, boost GDP, and promote general economic growth.

#### **2.4 Research Gap**

Based on the review of prior research, we can infer that numerous studies in both national and international settings were conducted to examine the relationship between tourism development and economic growth. However, the literature analysis only looked at factors like tourism revenue, the number of hotels and restaurants, the development of the financial, energy, and agriculture sectors, the influence on foreign direct investment, and the effect on domestic saving and investment.

The question of whether tourism boosts GDP growth in Nepal is still up for debate. While Gautam (2008, 2011, and 2014) and Paudyal (2012) have endorsed tourism-led growth, a study by Bhattarai and Karmacharya (2021) did not. The effect of macroeconomic factors on Nepal's economic growth, such as government consumption, gross fixed capital creation, tourism receipts, and trade volume, is not mentioned in any of the articles. Similarly, no research on the expansion of tourism and its influence on economic growth was discovered in Nepal after 2021. Therefore, this study aims to close this gap and adds to the body of knowledge about the relationship between GDP development and tourism.

## **CHAPTER- III**

### **RESEARCH METHODOLOGY**

The research approach used by the investigator is covered in detail in this chapter. It gives an explanation of the techniques used and the rationale behind their selection throughout the study's data collection phase. The research design of the study opens this chapter, which is then followed by information on the demographic and sample, data collection methods, validity and reliability tests, data analysis, and software utilized.

#### **3.1 Research Design**

The research design includes steps, methods, and assignments that help assess the study's goal and suggest strategies for making the research viable. The overall strategy of a proposed study outlines the proper research techniques and protocols to get particular results with the greatest amount of economy, objectivity, and validity.

The impact of the tourism industry and GDP growth are related to this study. As a result, the descriptive and causal comparative research designs serve as the foundation for this study. The trend and pattern of the variables will be analyzed using the table and graphs, summary statistics, and correlation. To determine the relationship between GDP, royalties, employment, and foreign exchange revenues, the generalized approach of moment's regression is employed.

#### **3.2 Population, Sample and Sampling Technique**

The tourism business is chosen as a representative sample for the study among Nepal's current service industries. As such, the tourism sector serves as both a population and a sample for the examination of secondary data. The foundation of this study is the effect of Nepal's tourist sector on GDP growth. It is impossible to meet every official active in the tourism industry because it is not concentrated in a single region of the nation. To do this, a stratified random sample technique is used to choose the tourism industry.

The empirical study, which spans ten years from FY 2013–14 to FY 2022–23, focuses on the structure and trends of the tourist sector and how they affect Nepal's government GDP growth.

#### **3.3 Nature and Source of Data**

The annual time series data containing observations from the fiscal years 2013/2014 to 2022/2023 were used in this investigation. This era was chosen in order to verify

the consistency of the variables utilized in the study, as data on the variables is only accessible for that time frame. The study uses both primary and secondary data to achieve its goals. The majority of the data used in this study are secondary in nature. Primary data are gathered using questionnaires, surveys, and interviews with interested staff members working in the travel industry. The primary sources of secondary data include publications published by NTB, annual reports, economic surveys, etc. In addition, the necessary information is gathered from relevant books, websites, and publications published by the National Planning Commission, Central Bureau of Statistics, etc.

### **3.4 Data analysis tools and Techniques**

Analysis of data is one of the most crucial parts of research. Financial, accounting, and statistical methods are used in the data evaluation process in order to accomplish the goal. Financial and statistical techniques were used in conjunction with a range of information sources to enhance the efficacy, convenience, validity, and legitimacy of the analysis. Owing to temporal and resource limitations, data analysis is carried out using the existing data pattern. Simple causal and statistical methods (such as regression, arithmetic mean, standard deviation, and correlation coefficient employing Karl Person) are used in this study. Similarly, accounting techniques like ratio analysis are used in financial analysis. The instruments employed in this study are available for viewing.

#### **3.4.1 Statistical Tools**

Statistical instruments quantify the data and provide a numerical result, facilitating a logical analysis of the data. In this investigation, the following statistical instruments were employed.

##### **1. Average/ Mean**

By adding together all of the numbers from all of the observations and dividing by the total number of observations, one can generally compute the average. Actually, it's a value that's meant to reflect the entire group of which it is a part, as representative of every value in the group as a whole.

$$\bar{X} = \frac{\sum x}{N}$$

Where,  $\bar{X}$  = Arithmetic means,  $\sum x$  = Sum of data, N = Number of value

## 2. Standard deviation

Another indicator of investment risk is the standard deviation ( $\sigma$ ). It is a dispersion measure in absolute terms. The degree of danger will be reduced the smaller the standard deviation. Stated differently, a low standard deviation indicates strong observational regularity and series homogeneity, and vice versa. To find the standard deviation, use this formula:

$$\text{Standard Deviation } (\sigma) = \sqrt{\frac{\sum (X - \bar{X})^2}{n}}$$

Where,

$$\begin{aligned} (\sigma) &= \text{Standard Deviation,} & X &= \text{Number in X-series} & \bar{X} &= \text{Mean} \\ n &= \text{Number of Observations in a sample} \end{aligned}$$

## 3. Coefficient of variation

The other relevant risk indicator is the coefficient variation, or CV. Risk per unit of return is calculated by dividing the standard deviation by the expected return. When there are differences in the projected returns between two options, it offers a more relevant foundation for comparison. The coefficient of variation is a brief explanation of the relative trade-off between expected return and risk if investors think that the rate of return should rise as risk increases.

$$\text{Coefficient of Variation (C.V.)} = \frac{\sigma}{\bar{X}}$$

Where,

$$\text{CV} = \text{Coefficient of Variation} \quad \bar{X} = \text{Mean,} \quad (\sigma) = \text{Standard Deviation}$$

## 4. Correlation coefficient

The degree of linear link that exists between two or more variables is known as correlation. When a change in one variable is accompanied by a change in another, two variables are said to be correlated. A positive relationship is stated to exist if the average increase or decrease in one variable is linked to the average increase or decrease in the value of another variable. If the value of one variable increases (decreases) and the value of another variable increases (decreases), the connection will be negative. However, the correlation coefficient consistently stays between +1 and -1.

In practical application, Karl Pearson's correlation coefficient is often utilized. The basic correlation coefficient, as determined by Karl Pearson, between two variables, such as X and Y, is given by:

$$\text{Coefficient (r)} = \frac{N \sum XY - (\sum X)(\sum Y)}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

Where,

- r : Correlation between X and Y
- N : Number of observations in series X and Y
- $\sum X$  : Sum of observations in series X
- $\sum Y$  : Sum of observations in series Y
- $\sum X^2$  : Sum of square observations in series X
- $\sum Y^2$  : Sum of squared observations in series Y
- $\sum XY$  : Sum of product of observations in series X and Y

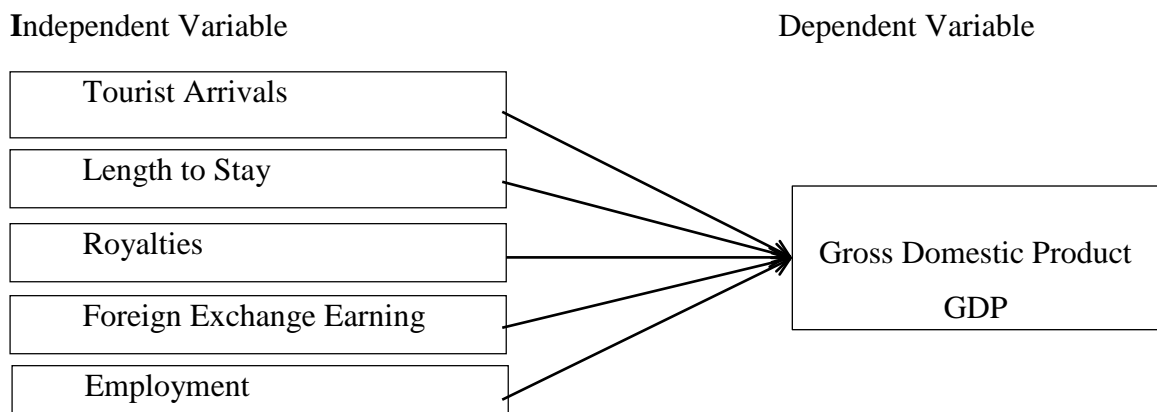
## 5. Regression Analysis

The basic linear regression analysis makes sense to be expanded upon by multiple regression analysis. The unknown values of a dependent variable are estimated using two or more independent variables as opposed to a single independent variable. That said, the analysis's basic idea doesn't alter. A multiple regression is a statistical tool that uses the values of two or more independent variables that are known to estimate (or forecast) the most likely value of the dependent variable.

### 3.5 Research Framework and Operational Definition of Variables

*Figure 1*

*Research Framework for the study*



*Source: Bhattarai & Karmacharya, (2022), Dhungana, (2023)*

## **Operational Definitions of Research Variable**

For analysis, data are gathered. Analysis of the data can be done with statistical and financial methods. GDP growth was the dependent variable in this study. Tourist arrivals (TA), length of stay (LS), royalties, foreign exchange earnings (FEE), and employment are the independent variables. The following is a quick definition of the words used in this study.

### **i) Gross Domestic Product (GDP)**

GDP is regarded as a dependent variable in this study. GDP is calculated by dividing the total gross value contributed by all producers who are residents of the economy by the mid-year population, plus any product taxes (less subsidies) that were not factored into the output valuation. GDP data in local currency at constant prices are used to compute growth. Long-term economic expansion raises average salaries and has a direct correlation with lowering poverty. GDP per capita, an indirect indicator of per capita income, offers a fundamental measure of the value of output per person. GDP growth and GDP per capita growth are regarded as general indicators of economic expansion. GDP per capita can be used by governments to gauge how the economy is expanding in tandem with population growth. A national analysis of GDP per capita can reveal information about the influence of a nation's domestic population. It evaluates the economic progress of a nation (Arshad, 2022).

An increase in the gross domestic product (GDP) or real per capita income is referred to as economic growth. The functioning of the economy's productive sectors is what leads to the growth in economic activity. Among other indicators of a developing economy are increases in employment and productivity as well as increases in real and financial sector investment and consumption (Kumar & Peter 2021).

### **ii) Tourist arrivals**

There is a long-term correlation between tourism-related arrivals and revenue and economic growth (Naseem, 2021). The GDP and tourism receipts are correlated (Kumar et al., 2015; Paudyal, 2012). Economic growth and tourism revenue are positively correlated in both directions, suggesting that these two variables are associated and that the rise of tourism promotes economic advancement (Ohlan, 2017;

Rasool & Johari, 2021). The negative balance of payments is partially compensated by the foreign exchange profits from tourism (Sugiyarto et al., 2003).

### **iii) Length to stay Tourist**

It describes the amount of time foreign visitors spend inside Nepal's borders when they are there. It's frequently used in tourism statistics to plan and analyze tourism-related services and activities.

### **iv) Tourism Receipt (TR)**

Travel-related expenses incurred by foreign tourists are included in the tourism receipts for the reporting economy. The products and services are given to the tourists for free use or distribution, or they are bought by them or on their behalf. Any additional prepayments made for goods or services acquired in the destination nation should be included in these receipts. They may include receipts from same-day visitors as well, unless the importance of the receipts justifies their classification as separate items. International carriage for tourists is not covered by passenger travel goods, hence it is not included (Arshad, 2022).

It describes how many foreign visitors landed in the destination nation (Nepal) in a specific amount of time. The substantial and favorable link between GDP and TR that this study predicts.

### **iv. Foreign Exchange Earnings**

The total amount of foreign currency earned by tourists is known as tourism earnings. The expenses incurred by foreign tourists, including the money paid to national carriers for overseas transportation, are referred to as international tourism earnings. Any additional payments paid in advance for products or services obtained in the country of destination are included in these incomes. They may also include revenue from same-day guests, unless their significance justifies a different classification.

### **v. Direct employment**

One of the primary sources of income for the people of Nepal is tourism, which also serves as a significant economic engine (Sharma, 2018). The employment sector, which includes both workers and independent contractors, is significantly impacted by tourism. 95% of tourism workers in Nepal were employed, according to the Tourism Employment Survey 2021, with only 5% of workers being self-employed

(MoCTCA, 2021). The provision of various facilities to tourists involves a significant segment of the labor force in the country, either directly or indirectly. Four categories of organizations are directly engaged in the tourism sector, offering services to both domestic and foreign travelers. These include tour companies, hiking companies, rafting companies, and companies that provide tourist transportation.

Similarly, the staff members directly involved in providing services to tourists include trekking guides, tour guides, and river guides. In addition, a large number of individuals work in transportation, microbusinesses, industries, and other tourism-related fields that generate goods and services for visitors.

The percentage of products and services imported and exported relative to the gross domestic product is shown by the trade volume. The trade variable can be calculated using the following formula:  $\text{Trade} = \text{Exports (\% of GDP)} + \text{Imports (\% of GDP)}$ . Thus, it illustrates how crucial trade is to the nation. When there is a lot of trade, a nation is more open to and affected by it. The literature suggests that the predicted sign should be positive. The World Bank provides the figures, which are expressed as a percentage (Martin, 2018).

## **CHAPTER-IV**

### **RESULTS AND DISCUSSION**

In order to assess the relationship between GDP growth and the tourism industry, this chapter focuses on the systematic presentation, interpretations, and analysis of secondary data taken from the industry's annual report, which was distributed. The selection of appropriate methods for addressing the research questions, implementation of the methods, evaluation, summarization, and presentation of the findings are the basic steps in the analytical process. Other steps include issue identification and assessment of the availability of relevant data. This is why several of the economic and statistical tools discussed in the third chapter have been required. Thus, the data analysis and conclusions are gathered from the survey. To evaluate the information gathered from the questionnaire, SPSS was utilized. Statistical methods were then used to obtain and explain the results. In particular, the data analysis shows the survey's descriptive analysis, the use of different statistical approaches to evaluate the research hypothesis, and demographic variables. Therefore, all the findings are used to answer the research questions and meet the research objectives as well.

#### **4.1 Results**

This segment of the research delves into the ways in which the tourist sector impacts Nepal's GDP growth. The main elements affecting Nepal's tourist industry are considered for this study. It contains conclusions, analysis, and data presentation. Data presentation and analysis includes organizing, tabulating, and assessing financial and statistical information.

##### **4.1.1 Analysis of the Status of Tourist Arrival in Nepal**

Nepal is a placid nation where Lord Buddha was born who was also recognized as a peace symbol and who lived among a number of rivers, lakes, mountains, and other natural features. Previously, foreign visitors would travel to Nepal to take in and explore these serene and stunning locations. We now know that a sizable portion of the tourists who arrived in previous years were pilgrims. An attempt has been made to display the arrival status of tourists in Nepal in this section. The actual arrival status of tourists can be viewed in a variety of ways. First, the total annual arrivals over the study period are visible.

Nepal's tourism industry is rebounding quickly, and visitor numbers will rise significantly in 2023. There were 1,014,882 tourists in total, which is a 65.05% increase over the year before. There have been significant changes in the top five countries of origin for tourists, and the pattern of arrivals has also changed. India led the world in tourist arrivals in 2023 with 31.52%, followed by the United States (9.88%), China (5.99%), the United Kingdom (5.20%), Australia (3.82%), and Bangladesh (3.59%). Of them, 100,612 (9.91%) arrived via land and 914,270 (90.09%) by air. Table 1 shows the history of tourist arrival during the period of 2014 to 2023.

Table 1

*Status of the Tourist Arrival in Nepal*

Years	Total		By Air		By Land	
	Number	Annual Growth Rate	Number	Percent	Number	Percent
2014	790118	-0.9	585981	74.2	204137	25.8
2015	538970	-32	407412	75.6	131558	24.4
2016	753002	40	572563	76	180439	24
2017	940218	25	760577	81	179641	19
2018	1173072	25	969287	82.63	203785	17.37
2019	1197191	2.05	995884	83.19	201307	16.81
2020	230085	-80.7	183130	79.6	46955	20.4
2021	150962	-34.3	150625	99.7	337	0.3
2022	614869	307.3	592631	96.4	22238	3.6
2023	1014882	65.05	914270	90.09	100612	9.91

*Sources: Nepal Tourism Statistics 2024*

Ten decades of data on Nepal's tourist flow was presented in Table 1. The table displays the total number of dates from 2014 to 2023. A total of 790118 tourists traveled to Nepal in 2014; of them, 585981 traveled by air and 204137 by land. There was a growing flow of visitors. In 2019, it reached 1197191, with 995884 being transported by air and 201307 being transported by land. For a few years, it hovered around this figure, but as COVID-19 spread and people became afraid of it, the overall number of visitors visiting Nepal dropped to 230085, with 183130 coming by air and 46955 coming by land. There is not much optimism in this industry these days. The tourism statistics for 2024 demonstrate that, as of 2022, a total of 614869 tourists had visited Nepal. With ease, one may infer from the preceding table that fewer tourists appear to visit Nepal annually by air than by land. The information above can also be seen in the bar graph below.

#### 4.1.2 Analysis the Status of Average length of stay

The length of time a tourist stays in the nation affects how much money it can make from them. The average amount of time they used to reside in the nation determines how much money it receives from tourism. Table 2 displays the average length of stay for visitors to Nepal for the study period.

The average duration of visit for visitors to Nepal in 2023 was somewhat longer than in 2022. In 2022, the average duration of stay was 13.1 days; in 2023, it climbed by 0.8% to 13.2 days. A key indicator for the tourism sector is the length of stay, which shows how long visitors remain in a place or nation. It offers perceptions on how tourism affects the economy, how well marketing techniques work, and how satisfied tourists are generally.

Table 2

*Status of Average length of Tourist's Stay in Nepal*

Year	Number	Average Length of Stay (in Days)
2014	790118	12.44
2015	538970	13.16
2016	753002	13.4
2017	940218	12.6
2018	1173072	12.4
2019	1197191	12.7
2020	230085	15.1
2021	150962	15.5
2022	614869	13.1
2023	1014882	13.2

*Sources: Nepal Tourism Statistics 2024*

Table 2 displays data that indicates the average length of stay for tourists ranges from 12.4 days to 15.5 days. 2018 saw the lowest average length of stay, and 2021 saw the longest.

#### 4.1.3 Analysis of Status of Royalties from Tourist Industry

A royalty is an obligatory payment given to a person or business in exchange for the continued use of their assets, such as franchises, natural resources, and works protected by copyright. Both tangible and intangible assets are eligible to receive royalties.

Table 3

*Status of Royalties from tourism industry*

Fiscal Year	Royalties (Rs in million)	Growth of Royalties
2014/15	340821	12.65
2015/16	390181	14.48
2016/17	336746	-13.69
2017/18	255745	-24.05
2018/19	490191	91.67
2019/20	581444	18.62
2020/21	586013	-0.79
2021/22	437023	-25.42
2022/23	617042	41.19
2023/24	696738	12.92

*Sources: Nepal Tourism Statistics 2024*

It is discovered that royalties in the tourism sector are currently in a state of flux. In actuality, it is discovered that royalties are growing at a faster rate now than it was in 2014 and 2015. For the years 2016 through 2017, the growth rate was determined to be negative. This could be the root of Nepal's internal strife. Then, it was discovered that the rate of royalties' growth grew during the years 2018/19–2019/20. On the other hand, it is discovered that the royalty growth rate from 2020 to 2021 is negative (--0.79 and -25.42%). The COVID-19 pandemic, which began at the end of 2019 and resulted in a global lockdown and economic slowdown, is the cause of this.

#### **4.1.4 Analysis of Status of Foreign Exchange Earning from Tourist Industry**

The foreign exchange situation Revenue and the Tourist Sector's Share of Revenue Earnings in foreign currencies are crucial to a country's development. When a nation purchases products and services from another nation, it must pay in convertible currencies. These currencies are received by the nations in various ways. Across the globe, tourism has grown to be a significant economic activity. It affects the economy in a number of ways, including direct, indirect, and induced.

The earnings of the tourism sector were directly impacted by the more than 65.5% rise in visitor arrivals in 2023. With an almost 68% increase from 2022 to 2023, gross foreign exchange earnings in 2023 were Nrs. 72,455.6 thousand (or around 548,200 thousand US dollars). Furthermore, there was a minor increase in the daily expenditure per tourist from 40.5 USD in 2022 to 41 USD in 2023.

The present paper makes an empirical attempt to verify the beneficial effects of tourism in Nepal. Based on Nepalese data, it shows gross domestic product and foreign exchange revenues from tourism for the years FY 2014/15 to FY 2023/24.

Table 4

*Trend of Foreign Exchange Earning from Tourist Industry*

Fiscal Year	Total Foreign Exchange Earning from Tourism			% Change in	
	NPR (million)	% growth	Annual Average Exchange Rate	US\$ (million)	US\$
2014/15	53428.6	15.21	99.5	537	13.8
2015/16	41765.3	-21.83	106.4	392.7	-26.9
2016/17	58526.9	40.13	106.2	551	40.3
2017/18	68521.7	17.08	104.4	656.5	19.1
2018/19	75374.1	10.00	112.9	667.7	1.7
2019/20	60885	-19.22	116.3	523.5	-21.6
2020/21	7266.3	-88.07	117.9	61.6	-88.2
2021/22	32447.2	346.54	120.8	268.5	335.6
2022/23	61522.7	89.6	130.7	470.6	75.2
2023/24	33945.9		132.8	255.6	-

*Sources: Nepal Tourism Statistics 2024*

The tourism sector's highest overall earnings throughout the ten-year period were \$75374.1 million in 2018–19. It represents a 10% increase in earnings from 2017–18. Over a ten-year period, there has been a shifting tendency in the change in total earnings. It had a significant 335 percent gain in 2022–2023 and a -88.2 percent reduction in 2020–2021 years. The COVID-19 pandemic, which began at the end of 2019 and resulted in a global lockdown and economic slowdown, is the cause of this. Though it varies, the total amount of money collected from the tourism sector has increased in recent years compared to prior ones.

#### **4.1.5 Analysis the Status of Employment from Tourism Industry**

In general, the tourism sector employs three different kinds of workers. First off, direct employment refers to jobs created in tourism-related facilities as a result of visitor expenditure. Second, induced employment, which comes from "multiplicative effects," and indirect employment, which results from employment in the tourism sector but is not a direct result of tourism spending. It is clear that employment has a positive impact on economic growth, but the growth rate is not always consistent

because different tourism activities have varying degrees of labor intensity, which affects employment differently.

Both directly and indirectly, tourism contributes to job creation. Travel agency, rafting companies, hotels, airlines, and other establishments are examples of direct employment. However, indirect job opportunities are generated by the handicraft sector, the building business, which builds infrastructure to offer facilities to tourists, and the supply of goods and services to hotels. A tourism employment survey was carried out in 2022 by MOCTCA (2022). A survey conducted in 2022 revealed that the tourist sector in Nepal created 138,148 new jobs. Of those in employment, 95% were employed, while 5% worked for themselves. There were 20% female employees and 80% male employees. Likewise, 24% were employed seasonally. In addition, 32% of workers had two jobs. It shows that a significant proportion of employed people work as part-time worker in this industry. Table 5 shows employment opportunity generated per industry in tourism in Nepal.

Table 5

*Employment from Tourism industry*

Year	Direct Contribution to employment in tourism industry		Total contribution to employment in tourism industry	
	No. of Employment	Growth of Employment	No. of Employment	Growth of Employment
2014/15	435439	3.7	928231	4.5
2015/16	424942	-2.4	901547	-2.9
2016/17	442783	4.2	919144	2
2017/18	497652	12.4	1027110	11.8
2018/19	517182	3.9	1070420	4.2
2019/20	531916	2.9	1102510	3
2020/21	521252	-2.01	1058940	-3.95
2021/22	458948	-11.95	1025941	-3.12
2022/23	485961	5.89	1152410	12.33
2023/24*	565381	16.34	1309841	13.66

*Sources: Nepal Tourism Statistics 2024*

The year 2022/23 saw the largest total contributions to employment in the tourism sector during the ten-year period, at 1152410. It represents a 12.33% increase in tourism-related jobs for 2021–2022. Over the past ten years, there has been an increase in the overall employment change. It had a significant gain of 12.33 percent

in 2022–2023 and a fall of -3.95 percent in 2020–2021. The COVID-19 pandemic, which began at the end of 2019 and resulted in a global lockdown and economic slowdown, is the cause of this. Though it varies, the tourist sector's overall employment contribution has increased in recent years compared to earlier ones.

#### 4.1.6 Analysis the Status of Contribution GDP from tourism industry

Table 6

*GDP Growth from the tourism industry*

Year	GDP	Growth rate on GDP	Contribution of tourism in GDP (%)
2014	2396.32	2.5468	2.2
2015	2452.45	2.34234	1.6
2016	2903.6	18.3959	1.9
2017	3309.72	13.9868	2
2018	3413.1	3.12353	2
2019	3387.42	-0.7524	1.6
2020	3695.08	9.08243	0.2
2021	4108.25	11.1816	0.7
2022	4082.74	-0.6209	1.1
2023	4291.93	5.12376	

*Sources: Nepal Tourism Statistics 2024*

Over the course of the ten years, the year 2014/15 saw the largest total contributions from tourism to GDP, at 2.2 percent. It represents a 0.27 percent increase in the GDP contribution for 2013–2014. Over a ten-year period, there has been a fluctuating pattern in the total contribution of GDP. It saw a sharp rise of 2.2 percent in 2014–15 and a decline of 0.2 percent in 2020–21. The COVID-19 pandemic, which began at the end of 2019, is the cause of this, as it led to a global lockdown and an economic slowdown. Even while tourism's overall GDP contributions fluctuate, they have increased in recent years compared to prior ones.

#### 4.1.7 Descriptive Statistic Analysis of the variables

A subset of descriptive statistics called summary statistics summarizes and conveys the essential details of the sample data. The GDP, total tourist arrivals, average length of stay, foreign exchange earnings (TFEE), royalties, and employment descriptive data all contain mean, maximum, minimum, and standard deviation. The variables' descriptive statistics are listed in the table below.

Table 7

*Descriptive Analysis*

	N	Minimum	Maximum	Mean	S.D.
Total Tourist Arrivals	10	150962	1197191	718610	349784
Length to stay	10	12.4	15.5	13.3	1.10751
Royalties	10	255745	917042	518037	229316
Employment	10	982	2874	1928.6	528.069
Foreign Exchange Earning	10	7266.3	75374.1	50611.3	19816.1
Contribution of tourism GDP (%)	10	0.2	2.2	1.54	0.667

*Sources: Nepal Tourism Statistics 2024*

The variable's statistics are described in Table 7. The average number of visitors is 718610. Tourist arrivals range from a maximum of 1197191 to a minimum of 150962, with a standard deviation of 349784, indicating the variation from the sample mean. In a similar vein, the average length of stay is 13.3. The greatest duration of stay for tourists is 15.5 days, while the minimum arrival time for tourists is 12.4 days. The standard deviation, which indicates the departure from the sample mean, is 1.10751. Royalties have an average value of 518037. During the study period, royalties had a maximum value of 917042 and a lowest value of 255745. The standard deviation, which indicates the difference from the sample mean, was 229316. 1928.60 is the sample mean for employment. The sample mean variance is indicated by the employment standard deviation, which is 528.069. Employment has a maximum value of 2874 and a minimum value of 982. 50611.3 is the sample mean for foreign exchange profits. The standard deviation of foreign exchange earnings from tourism is 19816.1, indicating a divergence from the sample mean. The earnings from tourism have a maximum value of 75374.7 and a lowest value of 17266.3. The sample mean of the GDP contribution from tourism is 1.54. The GDP contribution of tourism ranges from 0.2 to 2.2 at its highest and lowest values. The sample mean deviation is indicated by the standard deviation, which is 0.667.

#### 4.1.8 Correlation Analysis of the Variables

Table 8

##### *Correlation Analysis*

	GDP	TTA	LS	RTS	ET	FEE
GDP	1					
Tourist Arrival	.767** (0.01)	1				
Length of Stay	-.884** (0.001)	-.874** (0.001)	1			
Royalties	-.788** (0.007)	-0.491 (0.149)	0.599 (0.068)	1		
Employment	0.322 (0.953)	-0.25 (0.486)	-0.062 (0.865)	0.192 (0.595)	1	
Foreign Exchange Earning	.762* (0.01)	.837** (0.003)	-.803** (0.005)	-0.331 (0.351)	-0.168 (0.642)	1

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

\* Correlation is significant at the 0.05 level (2-tailed).

Figures in parentheses are p-values

*Sources: Nepal Tourism Statistics 2024*

The contribution GDP to total tourism arrivals and the correlation coefficient between them are 0.767, indicating a higher degree of positive association between the variables. This demonstrates that as the GDP's contribution rises, so do all tourist arrivals, and vice versa. The average length of stay for tourists and the GDP contribution to the tourism sector are -0.884, indicating a significant negative association between the two variables. This demonstrates that longer tourist stays follow increases in GDP contribution and vice versa. In a similar vein, the GDP contribution to the tourism sector and royalties shows a higher degree of negative but significant connection (-0.788) between the variables. This demonstrates that longer tourist stays follow increases in GDP contribution and vice versa. GDP contribution to the tourism sector and royalties have a higher degree of negative but significant association (-0.788) between the variables. This demonstrates that longer tourist stays follow increases in GDP contribution and vice versa.

The GDP contribution to the tourism sector and employment has a positive but negligible association of 0.322. This demonstrates that employment falls and vice versa when GDP contribution rises. Ultimately, there is a moderately favorable association ( $r = 0.762$ ) between the GDP contribution from the tourism industry and

foreign exchange revenues. This indicates that when the GDP's contribution to tourism rises, so do foreign exchange revenues, and vice versa.

#### 4.1.9 Regression Analysis of the variables

Table 9

*Model Summary*

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	.980a	0.961	0.912	0.1981

a Predictors: (Constant), Foreign Exchange Earning, Employment, Royalties, Total Tourist Arrivals, Length to stay

*Sources: Nepal Tourism Statistics 2024*

Table 8 displays the summary model of the regression analysis between the dependent variable (GDP) and independent variables (total tourist arrivals, average length of stay, royalties, employment, and foreign exchange profits). The value of R, which is represented by the R column, is one indicator of how well the dependent variable was predicted. In this case, a good degree of prediction is indicated by the R value of 0.980. The coefficient of determination, or the percentage of the dependent variable's variance that the independent variable can account for, is shown by the R square column. The R square value in this case is 0.961, meaning that the total number of tourist arrivals, the average length of stay, royalties, employment, and foreign exchange earnings account for 96.1% of the variation in GDP contribution from the tourism industry, with other factors accounting for the remaining 3.9%. After controlling for degree of freedom, the similarly adjusted R square is 0.912, meaning that 91.2% of the variation in GDP growth can be attributed to distinct behavioral factors. Additionally, the model summary displays the standard error of estimate of 0.1981, demonstrating the 0.1981 units of variability in the measured MPS value from the regression line.

Table 10

*ANOVA*

<b>Model</b>		<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1	Regression	3.847	5	0.769	19.614	.006b
	Residual	0.157	4	0.039		
	Total	4.004	9			

a Dependent Variable: Contribution of tourism GDP (%)

b Predictors: (Constant), Foreign Exchange Earning, Employment, Royalties, Total Tourist Arrivals, Length to stay

*Sources: Nepal Tourism Statistics 2024*

The analysis of variance results are displayed in table 9. The overall significance of the regression is demonstrated by the F statistic of 19.614. Table 9 indicates that market price per share can be accurately predicted by total number of tourist arrivals, average length of stay, royalties, employment, and foreign exchange revenues. The F-value demonstrates a substantial relationship between the independent variables (total tourist arrivals, average length of stay, royalties, employment, and foreign exchange profits) and the dependent variable (GDP growth).

Table 11

*Coefficient of Regression*

<b>Model</b>		<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>t</b>	<b>Sig.</b>
		<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
1	(Constant)	0.906	3.319		0.273	0.798
	Tourist Arrivals	1.421	0.102	0.075	0.262	0.060
	Length of stay	0.603	0.207	0.605	0.016	0.988
	Royalties	.806	0.011	0.62	4.127	0.015
	Employment	0.357	0.210	0.248	1.685	0.007
	Foreign Ex. Earning	1.791	0.092	0.531	2.577	0.000

a Dependent Variable: Contribution of tourism GDP (%)

*Sources: Nepal Tourism Statistics 2024*

The goal of this project was to create a linear regression function using the GDP as the dependent variable. The relationship between the GDP contribution from the tourism industry and its predictors total number of arrivals, average length of stay, royalties, employment, and foreign exchange earnings is better understood thanks to the regression analysis.

The results of the coefficient regression analysis show a positive and substantial relationship between the GDP contribution to the tourism industry and the following independent variables: employment, royalties, total tourist arrivals, and foreign exchange profits. The length to average stay coefficient regression, however, is statistically not significant, suggesting that the GDP contribution to the tourism industry has no discernible impact.

In particular, the coefficient of tourist arrival is 1.421, meaning that a 1% rise in visitor numbers corresponds to a 1.421% rise in GDP. Similarly, a 1% increase in average stays tourist duration corresponds to a 0.603% rise in the GDP contribution of the tourism business (coefficient of average stays tourist length = 0.603). Comparably, the coefficient of royalties is 0.806, meaning that a 1% increase in royalties causes the tourism industry's GDP contribution to increase by 0.806, while the coefficient of employment is 0.357, meaning that a 1% increase in employment causes the tourism industry's GDP contribution to increase by 0.357. Finally, the coefficient of profits in foreign currency is 1.791, meaning that a 1% gain in foreign currency corresponds to a 1.791 increase in the GDP contribution from the tourism sector.

## **4.2 Discussion**

There was a growing flow of guests. In 2019, it reached 1197191, with 995884 being transported by air and 201307 being transported by land. This figure was around for a few years, but when COVID-19 spread and caused terror around the world, the overall number of tourists visiting Nepal dropped to 230085, with 183130 arriving by air and 46955 arriving by land. There isn't much optimism in this industry right now. The 2024 tourism statistical data demonstrates this, with a total of 614869 tourists visiting Nepal in 2022. Length of tourist's stay is ranged from 12.4 days to 15.5 days. The average length of stay is highest in 2021 and it is lowest in 2018.

It is discovered that royalties have increased during the 2014 and 2015 research periods. For the years 2016 through 2017, the growth rate was determined to be

negative. Then, it was discovered that the rate of royalties' growth grew during the years 2018/19–2019/20. On the other hand, it is discovered that the royalties growth rate from 2020 to 2021 is negative (-0.79 and -25.42%). The COVID-19 pandemic, which began at the end of 2019 and resulted in a global lockdown and economic slowdown, is the cause of this. Over a ten-year period, there has been a shifting tendency in the change in total earnings. It had a significant 335 percent gain in 2022–2023 and a -88.2 percent reduction in 2020–2021 years. The COVID-19 pandemic, which began at the end of 2019 and resulted in a global lockdown and economic slowdown. The employment trend over the last ten years has been rising. It had a significant gain of 12.33 percent in 2022–2023 and a fall of -3.95 percent in 2020–2021. The COVID-19 pandemic, which began at the end of 2019 and resulted in a global lockdown and economic slowdown.

Throughout the past 10 years, the GDP growth contribution has shown a fluctuating trend. In 2014–15, it climbed significantly by 2.2 percent, while in 2020–21, it declined significantly by 0.2 percent. The global lockdown and economic slowdown brought about by the COVID-19 pandemic, which began at the end of 2019, are the cause of this.

Numerous countries could see economic growth as a result of the tourism industry. According to Mazoor et al. (2019), it can be a tactic for increasing export revenue, generating employment, growing consumer markets, and diversifying the economy. Because it offers a range of cultural, social, technical, experiential, and natural items for leisure and commerce, tourism has emerged as a key pillar for sustainable development in both developed and developing nations (Jayawardena et al., 2008). Long-term economic growth is causally correlated with increases in tourism (Lau et al., 2008). The rise of tourism contributes to both short- and long-term economic gains (Ertugrul & Mangir, 2015; Gautam, 2011; Gharthey, 2013). Both in the short and long terms, there is a favorable correlation between tourism spending and economic growth (Yazdi et al., 2017). There is a relationship between long-term economic growth and tourism-related spending, revenues, and arrivals (Naseem, 2021). Growth in the tourism industry ensures economic benefits to the nation (Kamble & Bouchon, 2014).

Additionally, Kharel and Kharel (2020) discovered a significant correlation between visitor arrivals and Nepal's GDP development. According to Dhungel (2022), public

spending on health and education improves human capital, which in turn has a favorable impact on economic growth. According to Kharel et al. (2020), there is a substantial correlation between GDP growth and visitor arrivals. Additionally, the study's findings demonstrated a strong and positive correlation between royalties and GDP growth contributions. GDP growth and royalties are favorably correlated in the tourism sector, according to Kharel & Kharel (2020); nevertheless, the influence is negligible in underdeveloped nations. Teker and Teker (2012) and Paudel et al. (2021) likewise discovered a strong and positive correlation between royalties and GDP.

According to this study, there is a substantial correlation between GDP development and foreign exchange gains in Nepal's tourism industry. The research of Bhattarai and Karmacharya (2021), Kharel and Kharel (2020), Priya and Rajasekaran (2020), and Oh (2005) provide similar findings. Singh and colleagues (2010) discovered a noteworthy correlation between GDP and foreign exchange revenues in the Bahamas and Barbados. The tourism product offered is exclusive to the Jamaican economy, which can be attributed to a greater leakage rate that produces a tiny multiplier impact. The higher leakage rate could also be caused by a lack of a strategic plan.

According to this study, there is no correlation between the length of a visitor's stay and GDP development in Nepal's tourism industry. The research by Dhungel (2023), Priya and Rajasekaran (2018), and Nyasha et al. (2020) yield similar results. These results, however, disagree with those of Khan et al. (2020), Kharel and Kharel (2020), and K.C. (2017), who noted that GDP growth and the length of stay component had a favorable impact on the tourist industry.

## **CHAPTER-V**

### **SUMMARY AND CONCLUSION**

The summary, findings, and feasible recommendations are included in this chapter. This offers a concise synopsis of every research chapter and the overarching conclusions drawn from the examination of pertinent research. Without any insightful conclusions, a study would be incomplete. Therefore, in order to offer recommendations for their eradication as well as guidance for additional development and improvement in the context of the tourism sector and contribution to GDP.

#### **5.1 Summary**

The tourist sector in Nepal is the country's largest employer and source of foreign exchange earnings. The tourism industry has a major impact on the development of the country as a whole. In particular, this industry has contributed to the improvement of the balance of payments. Due to the appealing work prospects it creates, it has also assisted in resolving our unemployment issue. Nepal must develop itself from a distinct standpoint because it is a member of the World Trade Organization. In order for everyone who is interested to visit the locations they choose, it must adequately develop its infrastructure.

At present for Nepal also, growth of tourism is a great resource of income of foreign currency. It has been extremely important in improving a country's economic situation. Lack of funding, infrastructure development, and other resources may cause problems for the tourism industry. A few of the challenges facing tourist attractions are contamination of the environment, over exploitation of tourism resources, and a shortage of qualified personnel for tour guides, among other things. Aside from these, other social and cultural factors also influence how tourism develops. In addition, resources are typically insufficient for the development of tourism; so, a variety of man-made resources are required. Among the man-made resources are opulent and cozy hotels, as well as traditional bars, restaurants, and related establishments. These qualifying factors draw in a large number of visitors.

This study looked at how Nepal's GDP has grown in relation to the tourism sector. Secondary data from the website of Nepal Rastra Bank were used to perform the study. For the years 2013–14 to 2022–23, the data covered GDP growth, tourist arrivals, and duration of stay, royalties, employment, and foreign exchange revenues.

The status of visitor arrivals, duration of stay, royalties, employment, and foreign exchange revenues in Nepal are all examined using description analysis. The description analysis was conducted using tabulation and mean. Correlation and regression analysis are carried out for the study's second objective.

The correlation reveals that the tourism sector has a positive and significant impact on foreign exchange earnings, employment, and tourist arrivals. On the other hand, the lengths of time tourists stay in Nepal and royalties have a negative and significant impact on the GDP from the tourism sector. Finally, there is a small but favorable impact on employment due to the tourism sector's contribution to GDP whereas from the finding Regression, The association between the tourism industry's GDP contribution and visitor arrival, duration of stay, royalties, employment, and foreign exchange profits is explained at the 5% significance level by the p-value test. While the p-value of length of stay is more than 0.05, indicating that length of stay has little effect on the tourism industry's contribution to GDP, the p-value of tourist arrival, royalties, employment, and foreign exchange earnings is less than 0.05, indicating that these factors significantly affect the GDP contribution.

## **5.2 Conclusion**

The tourism sector makes a significant financial contribution to the global economy today. The tourism industry is a fantastic method for individuals to spend their money and for communities to draw in new visitors. To truly enjoy life to the fullest, one should immerse oneself in the customs, religion, cuisine, sports, entertainment, and general way of life of a new location. Significantly, the tourism economy contributes to employment and foreign exchange earnings in Nepal's gross domestic product (GDP). The economic impact of tourism is measured in terms of foreign exchange earnings, employment creation, and GDP contribution. Total tourist arrivals and foreign exchange earnings have a significant relationship, while total tourist arrivals and employment and GDP contribution have a very nominal relationship.

Arrivals of tourists vary from year to year because of variations in the tourism environment. The typical length of stay is still 7.92 days to 13.4 days. In FY 2018/19, foreign exchange earnings climbed by 9.99 percent to Rs.7537.4 million. Nepal's GDP gains a substantial portion of its value from foreign exchange earnings. 35 thousand 6 hundred and eighty-three people received tourism sector training from the

academy during the study periods. The tourist business has a considerable economic impact on a variety of Nepalese economic sectors. The economic impact is quantified in terms of GDP contribution, employment creation, government royalties, and foreign exchange gains. The overall number of tourists arriving has a negative association with GDP contribution and direct employment, but a very positive link with foreign exchange revenues and government royalties.

Total tourist arrivals are a significant predictor of direct employment, according to the results of the regression study between total tourist arrivals and direct employment. The result indicates that there is a considerable impact of total tourist arrivals on foreign exchange profits, which is important to understand the changing link between total tourist arrivals and foreign exchange earnings. It shows that the position of foreign exchange earnings improved with a change in the overall number of tourist arrivals. The outcome demonstrates that the overall number of visitors has a major influence on government royalty. It shows that an increase in overall visitor numbers has boosted the status of government royalty. It demonstrates a strong correlation between shifts in the overall number of visitors and variations in government royalties. The outcome demonstrates that the total number of visitors has a major influence on GDP contribution. The results of the regression study show that the total number of tourists arriving is a major predictor of the government royalty and GDP contribution.

Nepal has countless opportunities for the growth of tourism due to its unique geographic location, biodiversity, religious harmony, mountain range, and rich cultural and historical heritage. Tourism may also contribute to economic prosperity. Nonetheless, there are certain relevant problems and difficulties, such as funding for infrastructure, climate change, tourism's competitiveness, and the diversification of tourism-related industries. The two main issues facing Nepalese tourism are the low number of visitors arriving and the low daily expenditure per visitor. Nepal must concentrate on boosting the number of tourists arriving and their average expenditure as this will contribute significantly to the expansion of the tourism industry in the nation.

### **5.3 Implication**

One profitable commercial endeavor focused on producing goods and services is tourism. In addition to offering goods and services to tourists, it gives locals job possibilities. It generates employment prospects by increasing foreign exchange earnings. The advantages of tourism encompass not only the material (such the development of jobs, investment opportunities, and infrastructure) but also the intangible (like the improvement of social structure and quality of life). These are the recommendations derived from the study's findings:

#### **5.3.1 Policy Implication**

Numerous important statistics have been provided by this study, and one direction for future research is to include the rising tourist industry and its GDP contribution.

- i. According to the findings, there is a positive correlation between GDP growth and both tourist arrivals and earnings, meaning that rising tourism-related incomes contribute to the nation's GDP growth. As a result, the government should concentrate on measures that would boost the nation's tourism industry.
- ii. The majority of visitors are from China and India, two nearby nations. Therefore, the government should concentrate on drawing more visitors from China and India by showcasing Nepal's natural beauty there and designating a national star to serve as the tourism ambassador.
- iii. Promote travelers to do more than just visit well-known tourist destinations; instead, get them involved in activities that boost the local economy, like trekking, cultural tours, and local experiences.
- iv. To enhance the amount that tourists spend in the nation, the government should concentrate on creating infrastructure that is conducive to tourism, boosting tourism's competitiveness, and diversifying its offerings.
- v. Nepal has to create a yearly marketing and promotion plan for travel. The implementation of this strategy ought to encompass the identification of target markets and sectors via ongoing market analysis and competitive assessment.

#### **5.3.2 Implication for Future Studies**

The present investigation has provided a number of important data points, and one direction for future research is to extend the analysis to other developing markets.

- i. In the future, researchers can use primary surveys to conduct studies and learn more about Nepal's tourism industry. Additionally, comparable research can be conducted in other industries, such as the travel and pilgrimage sector, aviation and passenger mobility, hotel industry, tourism education, and tourist safety, among others.
- ii. The study solely relies on secondary data; it ignores the preferences of other tourist destinations and different tourism-related industries. Therefore, primary data or combined primary and secondary data may be used in further research.
- iii. Advanced statistical tools might be used in future research. For instance, non-linear statistics and bidirectional causality techniques may be used in future research.
- iv. Very few elements have been researched, despite the fact that numerous parties have a direct influence on the tourism business. The new study that is being suggested can broaden its focus to include the majority of the factors that directly impact GDP and the tourism sector.

## REFERENCES

- Agrawal, G., & Khan, M. A. (2011). Impact of FDI on GDP: A comparative study of China and India. *International Journal of Business and Management*, 6(10), 71-89.
- Anu Priya, M., & Rajasekaran, R. (2016). Tourism Industry–The Impact on Indian Gross Domestic Product (GDP). *Advances in Economics and Business Management (AEBM)*, 3(6), 612-617.
- Aryal, C., Ghimire, B., & Niraula, N. (2019). Tourism in protected areas and appraisal of ecotourism in Nepalese policies. *Journal of Tourism and Hospitality Education*, 9, 40-73.
- Asheghian, P. (2016). GDP growth determinants and foreign direct investment causality: the case of Iran. *The Journal of International Trade & Economic Development*, 25(6), 897-913.
- Assadzadeh, A., & Nasab, M. H. N. (2012). Investigating the relationship between tourism industry and GDP in the Islamic Republic of Iran. *International Review of Business Research Papers*, 8(2), 85-95.
- Badal, B. P. (2020). Bhaktapur Tourism. *Research Nepal Journal of Development Studies (RNJDS)*, 3(1), 29-55.
- Badal, B. P., & Kharel, S. (2019). Opportunities and challenges of tourism industry in the context of visit Nepal 2020. *Tribhuvan University Journal*, 33(1), 67-80.
- Barro, R. J. (2001). Human capital and growth. *American economic review*, 91(2), 12-27.
- Bhattacharai, K., & Karmacharya, R. (2022). Impact of Tourism on Economic Growth of Nepal: Is Tourism-Led Growth Hypothesis Valid for Nepal? *The Gaze: Journal of Tourism and Hospitality*, 13(1), 93-110.
- Chaudhary, M., & Islam, N. U. (2023). Tourists' risk perception towards Kashmir valley: An analysis using Tourism Risk Index. *Journal of Tourism, Heritage & Services Marketing*, 9(1), 48-57.
- Chhetri, R. K. (2018). Tourism and security in Nepal. *Journal of Tourism & Adventure*, 1(1), 32-47.
- Cooper, R. N. (1997). Determinants of economic growth: A cross-country empirical Study. *Foreign Affairs*, 76(6), 154.

- Dhungana, B. R. (2023). Nexus between tourism industry and economic growth of Nepal. *Journal of Tourism and Himalayan Adventures*, 5(01), 1-15.
- Dwyer, L., Forsyth, P., Spurr, R., & Hoque, S. (2010). Estimating the carbon footprint of Australian tourism. *Journal of Sustainable tourism*, 18(3), 355-376.
- Ghimire, R., & Sapkota, P.(2023). Empirical Study On International Tourism Receipts And GDP Of Nepal An ARDL Bounds Testing Approach. *IOSR Journal Of Humanities And Social Science (IOSR-JHSS)*, 28(7), 15-25.
- Joshi, A., & Djalante, R. (2021). Climate change adaptation and sustainable livelihood: Perception from the indigenous Sherpa community from the mountains of Nepal. *J. Earth Sci. Clim. Change*, 12, (577), 1-17.
- Kaushal, V., & Srivastava, S. (2021). Hospitality and tourism industry amid COVID-19 pandemic: Perspectives on challenges and learning's from India. *International journal of hospitality management*, 92, 102-127.
- Khan, M. R., Khan, H. U. R., Lim, C. K., Tan, K. L., & Ahmed, M. F. (2021). Sustainable tourism policy, destination management and sustainable tourism development: A moderated-mediation model. *Sustainability*, 13(21), 1-22.
- Kharel, K. R., & Kharel, S. (2020). Contribution of tourism industry in Nepal: Measuring its economic impact. *Patan Pragya*, 7(1), 110-122.
- Kharel, K. R., Adhikari, P. L., & Chalise, D. R. (2020). Economic Impact of Tourism Industry Special Reference to Nepal & India. *International Journal of Advanced Research in Management and Social Sciences*, 9(12), 17-41.
- Liu, A., Kim, Y. R., & Song, H. (2022). Toward an accurate assessment of tourism economic impact: A systematic literature review. *Annals of Tourism Research Empirical Insights*, 3(2), 10-54.
- Mahatara, B. (2019). *Tourism industry in Nepal: Make it backbone of economy*. Kathmandu: The Himalayan Times.
- Maliszewska, M., Mattoo, A., & Van Der Mensbrugge, D. (2020). The potential impact of COVID-19 on GDP and trade: A preliminary assessment. *World Bank policy research working paper*, (9211). Available at SSRN: <https://ssrn.com/abstract=3573211>.
- McCabe, S. (2009). Who needs a holiday? Evaluating social tourism. *Annals of Tourism Research*, 36(4), 667-688.
- MOCTCA. (2022). *Nepal tourism statistics*. Government of Nepal, Ministry of Culture, Tourism and Civil Aviation.

- MOCTCA. (2023). *Ministry introduction*. Government of Nepal, Ministry of Culture, Tourism and Civil Aviation. Retrieved on 25 October 2023 from: <https://www.tourism.gov.np/pages/ministry-introduction/58>
- Moradi, L., Yahya, Y., Mohamed, I., & Raisian, K. (2017). A Study of factors influencing online purchasing intention within e-tourism setting. *Journal of Environmental Management and Tourism*, 8(4), 882-895.
- Naseem, S. (2021). The role of tourism in economic growth: Empirical evidence from Saudi Arabia. *Economies*, 9(3), 1-12.
- Nyasha, S., Odhiambo, N. M., & Asongu, S. A. (2021). The impact of tourism development on economic growth in Sub-Saharan Africa. *The European Journal of Development Research*, 33, 1514-1535.
- Nyaupane, G. P., & Poudel, S. (2012). Application of appreciative inquiry in tourism research in rural communities. *Tourism management*, 33(4), 978-987.
- Pan, X. M., & Dossou, T. A. M. (2020). The relationship between tourism and sustainable economic growth in the Republic of Benin. *Current Issues in Tourism*, 23(7), 785-794.
- Paudel, D. B. (2023). Tourism, Its Aspects and Enhancing Tourism in Nepal through Bay of Bengal Forum. *Humanities and Social Sciences Journal*, 15(1-2), 14-29.
- Paudel, T., Li, W. Y., Tiwari, S., & Dhakal, T. (2024). Exploring the Influencing Factors and Arrival Patterns of Inbound Tourism in Nepal. *Tourism Planning & Development*, 1-20.
- Paudyal, S. (2012). Does tourism really matter for economic growth? Evidence from Nepal. *NRB Economic Review*, 24(1), 48-66.
- Pokharel, R., Poudel, J., Sharma, A. R., & Grala, R. K. (2017). A study of climate variability and socioeconomic impact on tourism industry of Nepal. *Sustainability in Environment*, 2(1), 20-34.
- Pradhan, D., Moharana, T. R., & Malik, G. (2023). Influence of celebrity, destination and tourist personality on destination attachment and revisit intention: Moderating roles of endorsement embeddedness, destination crowding and gender. *Journal of Destination Marketing & Management*, 27, 100754.
- Rasool, et. al. (2021). The relationship between tourism and economic growth among BRICS countries: a panel co-integration analysis. *Future Business Journal*, 7(1), 1-17.

- Rothheim, R. J. (1981). Keynes' monetary theory of value (1933). *Journal of Post Keynesian Economics*, 3(4), 568-585.
- Seetaram, N., Forsyth, P., & Dwyer, L. (2016). Measuring price elasticities of demand for outbound tourism using competitiveness indices. *Annals of Tourism Research*, 56, 65-79.
- Sharma, A., & Sharma, S. (2017). Heritage tourism in India: A stakeholder's perspective. *Tourism and Travelling*, 1(1), 20-33.
- Sharma, M. (2017). Tourism marketing in India: a case study. *the land*, 1, 2.
- Sharma, N., & Punjab, J. (2018). Tourism led growth hypothesis: Empirical evidence from India. *African Journal of Hospitality, Tourism and Leisure*, 7(2), 1-11.
- Sherpa, Y. (2007). Impacts of tourism on Himalayan women.
- Shivakoti, A. (2021). Impact of COVID-19 on tourism in Nepal. *The Gaze: Journal of Tourism and Hospitality*, 12(1), 1-22.
- Teker, S., & Teker, D. (2012). Tourism projects financing: a public-private-partnership model. *Business Management Dynamics*, 2(5), 5-22.
- Theobald, W. F. (Ed.). (2005). *Global tourism*. Routledge.
- Wu, T. P., Wu, H. C., Ye, G., Wu, X., & Pan, B. (2022). The contribution of international tourism development to economic growth in Chinese economy. *Journal of Policy Research in Tourism, Leisure and Events*, 1-15.
- Yeh, S. S. (2021). Tourism recovery strategy against COVID-19 pandemic. *Tourism Recreation Research*, 46(2), 188-194.
- Zuo, B., & Huang, S. (2018). Revisiting the tourism-led economic growth hypothesis: The case of China. *Journal of Travel Research*, 57(2), 151-163.
- Jaiswal, B. (2018). Tourism as a Tool for Economic Development in Nepal. In *4th International Conference on Economic Growth and Sustainable Development: Emerging Trends-November 23-24, 2018, Mysuru, India*.
- Parajuli, R., & Paudel, R. C. (2018). Tourism Sector Employment Elasticity in Nepal: An Analysis. *Economic Journal of Nepal*, 41(3-4), 1-11.

## APPENDIX

### Appendix:-1

#### *Tourist Arrivals and Average length of stay*

<b>Year</b>	<b>Number</b>	<b>Average Length of Stay</b>
2013	797,616	12.6
2014	790118	12.44
2015	538970	13.16
2016	753002	13.4
2017	940218	12.6
2018	1173072	12.4
2019	1197191	12.7
2020	230085	15.1
2021	150962	15.5
2022	614869	13.1
2023	1014882	13.2

### Appendix:-2

#### *Foreign Exchange Earnings from Tourism*

<b>F/Y</b>	<b>Total foreign Exchange Earnings from tourism</b>	<b>As % of total value of Merchandise Exports</b>	<b>As % of total Value of Goods and services</b>	<b>As % of total foreign exchange reserves</b>	<b>As % of GDP</b>
2013/14	46374.9	45.9	20.5	5.1	2.1
2014/15	53428.6	54.4	21.6	5.2	2.2
2015/16	41765.3	55.8	19.6	4	1.6
2016/17	58526.9	71.3	24.3	5	1.9
2017/18	68521.7	73.3	25.4	5.6	2
2018/19	75374.1	66.3	25.1	5.4	2
2019/20	60885	56.2	23	4.6	1.6
2020/21	7266.3	5.1	3.3	0.5	0.2
2021/22	32447.2	15.3	9.7	2.1	0.7
2022/23	61522.7	33.5	16.5	3.4	1.1
2023/24*	33945.9	-	-	-	-

Source: Nepal Rastra Bank

\*1st Five Months of FY  
2023/24

**Appendix:-3***Contribution to Employment in Tourism Industry*

<b>Year</b>	<b>No. of employment</b>	<b>Share of Total Employment</b>	<b>Growth</b>	<b>No. of employment</b>	<b>Share of Total Employment</b>	<b>Growth</b>
2013/14	419845	3.1	5.9	888274	6.5	5.6
2014/15	435439	3.1	3.7	928231	6.6	4.5
2015/16	424942	2.9	-2.4	901547	6.2	-2.9
2016/17	442783	3	4.2	919144	6.2	2
2017/18	497652	3.2	12.4	1027110	6.6	11.8
2018/19	517182	3.3	3.9	1070420	6.7	4.2
2019/20	531916	3.3	2.9	1102510	6.8	3
2020/21	521252	3.1	-2.01	1058940	6.5	-3.95
2021/22	458948	3.1	-11.95	1025941	6.1	-3.12
2022/23	485961	3.3	5.89	1152410	6.3	12.33
2023/24*	565381	3.1	16.34	1309841	6.3	13.66

**Appendix: - 4***Total Tourist Arrivals, Length to stay, Foreign Exchange Earnings, Royalties, and Employment contribution in GDP from 2013/14-2022/23*

<b>Year</b>	<b>Total Tourist Arrivals</b>	<b>Length to stay</b>	<b>Royalties</b>	<b>Employment</b>	<b>Foreign Exchange Earning</b>	<b>Tourism Contribution GDP (%)</b>
2013	797616	12.6	345161	1938	46374.9	2.1
2014	790118	12.44	340821	2874	53428.6	2.2
2015	538970	13.16	390180.6	2450	41765.3	1.6
2016	753002	13.4	336745.8	1621	58526.9	1.9
2017	940218	12.6	255744.7	982	68521.7	2
2018	1173072	12.4	490191	1672	75374.1	2
2019	1197191	12.7	581443.9	1720	60885	1.6
2020	230085	15.1	686013	1700	7266.3	0.2
2021	150962	15.5	837023	1964	32447.2	0.7
2022	614869	13.1	917042	2365	61522.7	1.1

# EFFECT OF TOURISM INDUSTRY ON GROSS DOMESTIC PR...

By: Rim Bahadur Thada

As of: Aug 1, 2024 12:49:08 PM  
17,985 words - 91 matches - 9 sources

Similarity Index

8%

Mode: Summary Report ▼

**sources:**

240 words / 1% - from 18-Jan-2024 12:00AM  
[elibrary.tucl.edu.np](http://elibrary.tucl.edu.np)

219 words / 1% - from 27-Feb-2024 12:00AM  
[elibrary.tucl.edu.np](http://elibrary.tucl.edu.np)

157 words / 1% - from 27-Feb-2024 12:00AM  
[elibrary.tucl.edu.np](http://elibrary.tucl.edu.np)

114 words / 1% - from 17-Apr-2024 12:00AM  
[elibrary.tucl.edu.np](http://elibrary.tucl.edu.np)

241 words / 1% - from 09-Mar-2024 12:00AM  
[www.nepjol.info](http://www.nepjol.info)

173 words / 1% - Internet from 14-Dec-2022 12:00AM  
[www.nepjol.info](http://www.nepjol.info)

190 words / 1% - Crossref  
[Khom Raj Kharel, Suman Kharel. "Contribution of Tourism Industry in Nepal: Measuring Its Economic Impact", Patan Pragma, 2021](#)

123 words / 1% - Internet from 09-Aug-2019 12:00AM  
[pdfs.semanticscholar.org](http://pdfs.semanticscholar.org)

118 words / 1% - Internet from 24-Nov-2022 12:00AM  
[journal-neo.org](http://journal-neo.org)

**paper text:**

ABSTRACTS The purpose of this study is to investigate the patterns of visitor arrival, duration of stay, employment, royalties, and foreign exchange earnings in Nepal as well as the effect of tourism on the country's GDP growth. The research design used for this study combined descriptive and analytical methods. Data were gathered from secondary sources, and their interpretation was done using both quantitative and qualitative methods. The data and information were presented using straightforward quantitative techniques like ratios, percentage computations, and statistical graphs. Descriptive formats were used in conjunction with the relevant figures and tables to illustrate the findings. Secondary data from 2013–14 through 2022–23 were used to perform the study. The dependent variable is gross domestic product, while the independent variables are tourist arrival, duration of stay, employment,