

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

The tourism industry has been considered to be an important sector in Nepal for many years whereby it has strong positive effects on the economic development of the country. The positive impact of tourism on the host country is in areas such as foreign exchange earnings, employment opportunities, poverty elimination, and provision of social services and improvement of the infrastructure. However the current worldwide top agenda of the global Economic crisis has weakened the above efforts of the tourism industry towards the economic development of Nepal.

The global financial crisis began in July 2007 when a loss of confidence by investors in the value of securitized mortgages in the United States resulted in a liquidity crisis that prompted a substantial injection of capital into financial markets by the United States Federal Reserve, Bank of England and the European Central Bank ([Wall Street Journal TED Spread spikes in July 2007](#)).

Nepal, the land of Lord Pashupatinath and Mt. Sagarmatha (Everest) and the birth place of Lord Buddha (light of Asia) and Goddess Sita, the consort of Lord Ram (Hero of Ramayana). Nepal is a sovereign independent kingdom situated on the southern slopes of the mid-Himalayas ([www.catmando.com/nepaltourist](http://www.catmando.com/nepaltourist)). Covering an area of 147,181 square kilometers and stretching 145-241 Kilometers north to south and 850 kilometers west to east, the small Himalayan country, Nepal, is land locked between India in the south, east and west and China in the north. 'Nepal is a tiny Himalayan country but beautiful in the whole world. It covers about 0.03% of total land surface of the world and still famous for its cultural, natural and bio-diversity. The highest peak and major portion of the famous Himalayan Tanf from Brahmaputra of India to Sindhu of Pakistan falls in this kingdom of South Asian region'. (Tourism mirror 2008).

Not all countries are blessed with economic abundance. Yet there are spots around the globe, which have something to offer which others elsewhere, cannot. In the same vein, Nepal is one of such country, which has its own attractions in the form of Himalayas; the snow capped highest peaks, which are the eternal sources of inspirations and awe. Tourism has competitively developing in the world, and due to specific natural and cultural heritages, there is a great possibility of tourism industry in Nepal. Hence, in order to increase national production and income to expand the earning of foreign currencies to create opportunities for employment, to improvement, to improve regional imbalance and to develop the image of Nepal in international community having developed and expanded tourism industry.

A tourist in the present context has to be defined as a person who travels to learn, fall in love with music of nature, to relax and enjoy the socio cultural environment outside his country. Tourism has been rapidly and competitively developing in the world and due specific natural and cultural heritages. So there is a great possibility of tourism industry in Nepal. Hence in order to increase national production and income, to expand the earning of foreign currencies, to create opportunities for employment, improve regional imbalance and to develop the image of Nepal in international community having developed and expanded tourism industry, some activities, policies and infrastructure work are being operated and soon it will begin to improve and maintain what is proper as per time and tide. Today it brings more than 20% of the foreign exchange, which constitutes 2.6% of the current Gross Domestic Product (GDP). While the garment and the carpet industries suffer from year to year fluctuations for it depends upon quotas fixed by foreign countries like German, Japan, USA. Tourist industries in Nepal remain in the past as well the present and future the most stable source shaping the country's economy.

## **1.2 Introduction to Study Area**

Situated at an altitude of 884 m, Pokhara valley, some 200 km west of kathmandu, is one of the major tourist destinations in Nepal. The lakes and mighty Himalayan peaks at a very close proximity provide Pokhara with remarkable natural beauty, thus making it irresistible natural beauty, thus making it irresistible to visitors. Visitors come here for a

variety of reasons, many to enjoy the scenic beauty of the serene valley where some of the highest mountains on earth rise just twenty-seven kilometers away; while others come for treks to the Annapurna region, considered by many to be a trekker's paradise.

Besides the popular ten-day to three-week treks to the Annapurna Sanctuary, Ghorepani, and the Manang-Jomsom circuit, there are many interesting short day treks around Pokhara to hilltops with views of the much loved Machhapuchhre (Fish Tail Peak) and the Annapurnas and visits to the ruins of some important historical sites overlook the lake-studded Pokhara valley.

Filled with lush vegetation and dotted with shimmering lakes, the valley had a backdrop containing one of the most dramatic vistas in the world: a 140 kilometers panorama of towering Himalayan peaks that in the clear air seemed close enough to touch. In fact, Machhapuchhre, the famous "Fishtail Peak", is only forty-five kilometers from the hotels in lakeside, without a single mountain range in between.

The valley's low altitude (900 meters) and sub-tropical climate allow bananas, citrus trees, cacti, and rice to flourish. Behind this magnificent scenery rise the snow-covered mountains. Dhaulagiri, Himalchuli, Machhapuchhre, and the five peaks of the Annapurna Massif fill the horizon, rising, it seems, directly from the valley floor and close enough to touch.

No matter where you are in Pokhara, Machhapuchhre dominates the horizon like an ice-capped pyramid. From the valley, it appears as a single soaring white spire, but from a few days' walk to the northwest, the twin peaks which form the northwest, the twin peaks which form the fishtail become visible. The 6977 meters mountain remains officially unclimbed. The single expedition that was given permission to climb it in the 1950s stopped just below the summit, out of respect for the deities who are believed to reside there.

The spectacular setting has made Pokhara justifiably popular with Nepal's visitors. Pokhara be reached in thirty minute via flights from Kathmandu, or an all-day bus ride, or, more comfortably, in a rented car with drive. Those with enough time can take the traditional route to Pokhara, traveling on foot through Nepal's hill country. The week-

long trek from Kathmandu is easy, ideal for families with children. It passes through the ancient capital of Gorkha. Simple food and lodging are available in small villages along the way.

Pokhara's sprawling layout may surprise you upon arrival; it is one of the fastest growing cities in Nepal. It's easiest to describe Pokhara as three distinct areas. The 'new town' around the bus station is full of modern shops selling everything from instant photos to videos. The town's old bazaar, stocked with traditional goods like copper pots and cotton cloth, stretches along two main streets in the northern section. A half-hour walk south of the bus station is Lakeside, a neighborhood of lodges, restaurants and shops area favored into two sections, one the dam and one along the lake shore.

Lining the lakeshore is a number of good lodges and restaurants. Budget travelers looking for a quiet place should try the side lanes leading off the main road. Several larger hotels near the airport offer upscale accommodations with expansive gardens and mountain views. The Fishtail Lodge at the east end of the lake is worth a visit, even if you aren't staying there, just try wooden raft pulled by a rope that connects the lodge to the "mainland".

Pokhara is fortunate to possess beauty below as well as above. The main attraction in Lakeside is the aquamarine Phewa Tal, one of the largest lakes in Nepal. Swimming or fishing is best done from a boat. Rent a towboat for a few hours or an entire day and visit the opposite shore, stopping at the small island temple of Barahi in the middle of the lake, or find a secluded corner of your own, as you're floating on the lake's placid surface with a picnic lunch, admiring the double range of mountains appearing first on the horizon, then reflected in the water, it's easy to forget the rest of the world and realize why Pokhara has become such a popular visitor destination.

The mid-lake temple has one of Nepal's more entertaining legends associated with it. A long time ago a god came to earth disguised as a traveler looking for shelter. Everyone turned him away but an old couple offered whatever they had to him. Then next day the angry god sent a deluge upon the village in punishment for their selfishness, and, of

course, everyone was swept away but the old couple. The Temple of Tal Barahi is erected on the island in honor of their generosity.

Once settled in Pokhara, you may be content to relax for a few days and admire the beauty. Getting up at 5:30 am in the morning may not sound very relaxing, but it's worth it for the beautiful view of sunrise on the Himalaya. Dawn is also the time to pick out the summit of Annapurna I, the first 8000 meters peak in the world to be scaled by man ( by the French in 1950 ), and the first of the five Annapurna summits to be illuminated by the rising sun. The large grassy meadow in the middle of Lakeside offers a clear view of the mountains and is also a good place to watch the fishermen, some still padding old-style wooden dugout canoes, heading out for their morning's work.

Others enjoy the peaceful valley for its relaxed pace a good antidote to urban Kathmandu and its many recreational opportunities. Away from Phewa Tal, a morning or afternoon could be spent exploring the old bazaar. It's a two hours walk from Lakeside or shorter by rented bicycle. The dozens of small shops lining the street sell everything from silver jewelry to soap. Often the craftsmen are busy making their wares inside the shops. The narrow lanes make it easy to imagine the days when mule train from the north would file through the streets of Pokhara to trade loads of salt and yak wool for local products. Even today, mule trains can be seen in the town, usually led by a Tibetan or a Thakali and recognized from a long distance by the sound of their jingling bells.

Pokhara's pleasures extend beyond the town itself. Day walks and overnight trips in the valley and surrounding hills give a glimpse of rural Nepal to the visitor without the time or stamina to trek. One of the most popular journeys is the three-hour walk up to Sarangkot, the prominent 1,700-meters hill just past the lake's distant end. Take the trail from the main Bindebasini temple in old Pokhara, or follow the less clear path west of the lake, and then up through terraced hillsides and tiny villages of traditional Nepalese houses until you reach the bald hilltop crowned by a crumbling wall. Here your reward is a breathtaking panorama of the valley floor and the Himalayan stretched out directly in front. It's possible to stay in Sarangkot overnight, or to continue several hours further

along the ridge to the village of Naudanda, another popular viewpoint, before heading back to Pokhara via Suikhet.

**Some other ideas for day-trips from Pokhara include:**

- Rupa and Begnas Lakes, fifteen kilometers east of town, are less-visited alternatives to Phewa Tal. A bus ride, to Dandako Nak on the Kathmandu road is followed by a two-hour walk north to the village of Panchabhaiya, bringing you to the twin lakes.
- Kahnu Danda, the ridge to the east of Pokhara, can be identified by the view tower atop it. It's about a three-hour walk from the edge of town.
- Mahendra Gufa, a series of large limestone caves near the village of Batulechaur, can be reached in about a two hours walk past the end of the bazaar.
- For some, Pokhara is the starting or ending point for a trek into the Annapurna region, one of the most popular trekking regions in Nepal. The week-long trek northwest from Pokhara up the Kali Gandaki River to Jomsom, the famous "Apple Pie" trek (named so due to the wide range of accommodations and restaurants along the route) passes through one of the deepest valleys in the world. If you continue onward over the 5,400 meters Thorang La (pass), you can circumambulate clockwise the entire Annapurna Range in three to three and a half weeks, concluding the 300 kilometers trek at Dumre (following the route in a counter clockwise direction allows an easier crossing of Thorang La)
- For a more moderate trek, the trail to the Annapurna Sanctuary takes you into the heart of the great mountains in less than a week. Another favorite, especially during the spring rhododendron bloom, passes through Ghorepani and Gandruk villages, offering excellent views of the Annapurna in just eight to ten days round-trip.

Each trek can be accomplished independently or combined with guides, porters, or even ponies. Pokhara's pony trek outfitters can also arrange short day trips to many of the nearby areas mentioned above. Whenever you go, and however you do it, you'll be glad you took the time to visit Pokhara.

## **Tourism in Pokhara**

Pokhara as a unique tourist destination was almost out of knowledge among the general visitors before 1960. As Nepal was restricted to foreign visitors before 1950 by the then Rana regime, the history of tourism in Pokhara began as a trekking by British Gurkha officers during 1950s. Only a few adventure tourists visited this region at that time. According to a report, there were 119 tourists in Pokhara in 1957.

The modern development of tourism in Pokhara started after 1960s, when government established a tourism information center in Pokhara in 1961. Because of limited tourist services like accommodation and transportation, it was not geared up till 1970. Only after the establishment of tourist standard hotels like Fistail Lodge (1969), and New Hotel Crystal (1973), the trend of tourist to visit Pokhara geared its momentum. Though the history of tourism in Pokhara started only after 1960s in a systematic way, the literature shows that it was popular in the eyes of visitors even before that time. The attractive location of Pokhara was first explored by D.J.F. Newell and has expressed the view that “Pokhara is at the foot of one of the Dhaulagiri Summits, whose horizontal distance is only 15 miles with a direct altitude of 20,400 feet above it. Similarly, a Japanese Buddhist scholar Ekai Kawaguchi was first foreign visitor of Pokhara on record. He was on the way to Tibet from Kathmandu in 1899. After seeing the beautiful and peaceful natural feature of Pokhara he described it as “That in all my travels in the Himalayas I saw no scenery so enchanting as that which enraptured me at Pokhara.” Likewise, the British Climber Gen. Charles Bruce overwhelmed and sentimentally expressed his feelings about the beauty of Pokhara and its periphery. He observed that “There is almost underlying the great center (of mountains); a town and a mart, which always attracted my curiosity almost beyond any other town in Nepal, Phewa Tal is the name of the lake and pokhara that of the town, one of the most impressive and beautiful sights to be found in any mountain country”. Tibor Sekelj has made another surprising comment about the land topography and natural vegetation of Pokhara. He noted about the ripen citrus fruits in a close distance of mountain after his visit to Pokhara that “Although it lies at the foot of mountains covered with eternal snow, we on our way kept seeing banana and orange feed full of golden trees” ( Tourism Mirror, Pokhara, 2004).

Finally among all visitors Tony Hagen, a Swiss native who extensively traveled this mountain country on foot writes “Pokhara area shows that great contrast in landscape. Nowhere in the world can the highest mountain reaching 8000-meter level be admired such a short distance and from the tropical low land without any intermediate mountain ranges. Pokhara is certainly one of the most extra ordinary and most beautiful places on the whole world. These accounts of literature as given by foreign travelers in Pokhara are sufficient enough to describe the beauty of this place. On the other hand, Pokhara has become more popular because of the experiences and feelings of pilgrimages, mountaineers and travelers that they have expressed in their travelogue, diary or narration in the international tourism market.

Not only the foreign visitors but the international agencies and organizations have also remarked Pokhara as a popular tourist destination. A London base travel magazine conducted a survey among the international visitors in 2002. About 94% people were in favor of Nepal as a second interesting destination travel after New Zealand in the world. Likewise BBC has ranked the Annapurna circuit trek as one of the interesting trekking route out of ten in the world. One of the remarkable aspects of tourism in Pokhara is that the city of Pokhara is the gateway or the ending point of this famous Annapurna round trek. Lynn Schnaiberg, a Chicago based writer explores, the world’s leading resource far-of-the-beaten-path travel has recently published its top 10 routes from day-tripper walks and hikes to multi week treks into high Altitude Mountains. In its admittedly audacious picks for the world’s top adventures on foot, Nepal’s hiking Annapurna circuit has been given number one ranking. All these remarkable accounts of Pokhara show that it has great potentiality for tourism development.

### **1.3 Statement of the Problem**

This research study is mainly focused on the analysis of the present situation of tourism in Nepal; with special reference to Pokhara at the period of global economic crisis. The main purpose of tourist arrivals in Nepal became central attraction because tourists visit Nepal by taking various purposes. Now a days, our national income is shifted from agriculture sector to service sector at this condition Nepal have to increase the national income from the tourism sector. Similarly, Nepalese balance of payment is generally deficit order but when tourism sector can be improved, it plays the significant role in balance of payment situation, from the foreign exchange earning to this sector, by creating employment opportunities.

Lack of the strong appeals and efforts made by the government and private sectors, the performance of tourism sectors is not at satisfactory level in Nepal. The growth of tourism industry has so many constraints like inadequate internal transport facilities, insufficient trained manpower, accommodation problem, publicity problems, lack of proper infrastructure, inadequate capital mobilization and problems of proper medical and hygienic facilities. Apart from these, various social and political problems and general strikes like “Nepal Bandh” and “Chhakaa Jaam” (vehicles strike) are degrading the promotion of the tourism industry. One day strike cause the country loss big amount of money and it directly correlates with a decrease in tourist inflow also. Despite this problem, foreign tourists in Nepal were reportedly attacked by Maoist insurgents.

Nepal has very limited tourists spots and these spots are also not very much developed. There are shortages of development of infrastructures. There is also the problem of environment pollution, which provides negative impact to the tourism of Nepal. There is a lack of appropriate programs that would inspire to tourists to stay longer in Nepal and spend higher expenditure. The services and capacity of international airline, which have direct linkage with Nepal, are limited, internal air services are also limited and the services are also limited and the services are not up to the required standard. For planned growth of tourism industry basic infrastructures like transport development, communication network, electric power, water supply, archaeological preservation are the most important aspects. But in the case of Nepal, these indicators are lagging behind.

It is observed that problem like transportation and communication. Accommodation, recreation; government policy and inadequate publicity are still present in the country. Beside these, there are other problems in tourism industry of Nepal like insufficient information, in adequate lodging and fooding facilities, lack of expert tour guides, lack of touring and travel agencies, lack of cultured behavior, presence of social and religious backwardness, language barriers and topographical barriers.

The study area, Pokhara is facing adequate problems like nominal increasing ratio of tourists' arrival, limited purpose of visit, short length of stay of tourists; a lot of small hotel's located in lakeside area, low expenditure patterns of tourists. For that global financial crisis will be the main causes. So it is necessary to be investigated the impact of the global economic crisis on tourism business. This study has raised the following issues

- What was the inflow of tourist in Pokhara before global economic crisis?
- What was the inflow of tourist in Pokhara after global economic crisis?

#### **1.4 Objectives of the Study**

The major objectives of the study are as follows:

- To analyze the impact of the global economic crisis on tourism business in Nepal and with respect to Pokhara.
- To examine the trends of tourist inflow in Nepal and Pokhara.
- To assess the trends of revenue generation by this sector.
- To trace out the problem of Tourism Industry.

## **1.5 Significance of the Study**

This study is basically concerned with the impact of global financial crisis on tourism business of Nepal and Pokhara and tourism trade as an important source of national economy of the country. Tourism is considered as socially useful and economically productive activity by almost all nations in the world. The growing importance of tourism industry and its ever increasing role in building national economy as a means of fostering good-will and social understanding are well recognized throughout the world. More objectively, the study mostly focuses on the trend of tourists' inflow which is an important source of revenue generation for the development of various sectors of the country. So, it helps to understand the total number of tourists' inflow in Nepal on the basis of county, sex, year, purpose of visit and so on.

## **1.6 Limitations of the study**

It is based on by using both secondary and primary source of data from the tourism authorities. The following aspects are some limitations during the period of research.

1. The study is mainly based on both secondary and primary data and information provided by concerned Government and non-Government authorities.
2. This study is only limited to the data from 2004 to 2011.
3. This study is based on some information about global economic crisis through internet searching materials only.
4. This study is done with the help of publications booklets of Nepal Tourism Board, Economic Survey, Ministry of Tourism and Civil Aviation, Tourism Office Pokhara, Immigration Office Pokhara and other reference books.
5. The study deals with trends of tourist inflow, foreign exchange earnings from tourism trade.
6. This study is related to the impact of economic crisis on tourism business of Nepal; with reference to Pokhara.

## **1.7 Organization of the study**

This study is organized into five chapters Introduction, Review of literature, Research methodology, Presentation and analysis of data, Summary, conclusion and recommendation.

### **Chapter 1- Introduction**

This chapter deals with background of study, Introduction of study area, Statement of problem, Objective of the study, Significance of the study and Limitation of the study.

### **Chapter 2 - Review of literature**

This chapter explains review of literature which includes theoretical review and research review.

### **Chapter 3 - Research methodology**

It includes Research design, Sources and nature of data, Population and sample and Data collection and Presentation.

### **Chapter - 4 Presentations and Analysis of Data**

This chapter deals with analysis and interpretation of data using the financial and statistical tool described. Finding is also included in this chapter.

### **Chapter 5 - Summary, Conclusion and Recommendation**

This chapter deals with summary, conclusion and recommendation of the study.

At the beginning part of the study it is include Abbreviations, Table Contents, List of tables and List of diagrams. At the end of the study it includes Bibliography and Annex.

## **CHAPTER II**

### **REVIEW OF LITERATURE**

This review of literature clearly points out to the tourist possibilities in Nepal. The study of tourism has become a subject of considerable interest for many scholars from various disciplines. Many scholars have enriched it with much literature for the development of tourism as a discipline making contributions to theoretical concepts, empirical investigations and analytical methods employed in analyzing various aspect of tourism and literature review on attempt has been made to provide theoretical foundation of tourism and literature review on tourism in Nepal.

#### **2.1 Global Financial Crisis**

The global financial crisis began in July 2007 when a loss of confidence by investors in the value of securitized mortgages in the United States resulted in a liquidity crisis that prompted a substantial injection of capital into financial markets by the United States Federal Reserve, Bank of England and the European Central Bank.

The global financial crisis of 2008–2009 is an ongoing major financial crisis. It became prominently visible in September 2008 with the failure, merger, or conservatorship of several large United States-based financial firms. The underlying causes leading to the crisis had been reported in business journals for many months before September, with commentary about the financial stability of leading U.S. and European investment banks, insurance firms and mortgage banks consequent to the subprime mortgage crisis.

Beginning with failures of large financial institutions in the United States, it rapidly evolved into a global credit crisis, deflation and sharp reductions in shipping resulting in a number of European bank failures and declines in various stock indexes, and large reductions in the market value of equities (stock and commodities worldwide. The credit crisis was exacerbated by Section 128 of the Emergency Economic Stabilization Act of 2008 which allowed the Federal Reserve System to pay interest on excess reserve

requirement balances held on deposit from banks, removing the longstanding incentive for banks to extend credit instead of hoard cash on deposit with the Fed. The crisis led to a liquidity problem and the de-leveraging of financial institutions especially in the United States and Europe, which further accelerated the liquidity crisis, and a decrease in international shipping and commerce. World political leaders and national ministers of finance and central bank directors have coordinated their efforts to reduce fears but the crisis is ongoing and continues to change, evolving at the close of October into a currency crisis with investors transferring vast capital resources into stronger currencies such as the yen, the dollar and the Swiss franc, leading many emergent economies to seek aid from the International Monetary Fund. The crisis was triggered by the subprime mortgage crisis and is an acute phase of the financial crisis of 2007–2009.

The discussion on impacts of Global Financial Crisis on Nepalese Tourism is presented here citing their sources. Hope, this study will be useful for the business planners, researchers and many people of Nepalese economy, for their judgments towards Nepalese Tourism and Nepalese economy.

## **2.2 Definition of Tourism**

There are many definitions for the tourism defining what tourism actually is can be difficult. Tourism is the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business or other purposes. Tourism is a dynamic and competitive industry that requires the ability to constantly adapt to customers' changing needs and desires, as the customer's satisfaction, safety and enjoyment are particularly the focus of tourism businesses.

Tourism is traveling for predominantly recreational or leisure purposes or the provision of services to support this leisure travel. The World Tourism Organization defines tourists as 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". Tourism has

become a popular global leisure activity. Tourism is vital for many countries, due to the income generated by the consumption of goods and services by tourists, the taxes levied on businesses in the tourism industry, and the opportunity for employment in the service industries associated with tourism. These service industries include transportation services such as cruise ships and taxis, accommodation such as hotels, restaurants, bars, and entertainment venues, and other hospitality industry service such as spas and resorts. One of the earliest definitions of tourism was provided by the Austrian economist in 1910, who defined it as, "total of operators, mainly of an economic nature, which directly relate to the entry, stay and movement of foreigners inside and outside a certain country, city or a region." This definition focused two aspects of tourism: one, the economic aspects; second, the difference between domestic and international tourism. Hunziker and Krapf, in 1941, defined tourism as "the sum of the phenomena and relationships arising from the travel and stay of non-residents, insofar as they do not lead to permanent residence and are not connected with any earning activity." In 1976 Tourism Society of England defined it as "Tourism is the temporary, short-term movement of people to destination outside the places where they normally live and work and their activities during the stay at each destination. It includes movements for all purposes." In 1981 International Association of Scientific Experts in Tourism defined Tourism in terms of particular activities selected by choice and undertaken outside the home environment.

The United Nations classified three forms of tourism in 1994 in its Recommendations on Tourism Statistics: Domestic tourism, which involves residents of the given country traveling only within this country; Inbound tourism, involving non-residents traveling in the given country; and Outbound tourism, involving residents traveling in another country.

The UN also derived different categories of tourism by combining the 3 basic forms of tourism: Internal tourism, which comprises domestic tourism and inbound tourism; National tourism, which comprises domestic tourism and outbound tourism; and International tourism, which consists of inbound tourism and outbound tourism. Intrabound tourism is a term coined by the Korea Tourism Organization and widely

accepted in Korea. Intrabound tourism differs from domestic tourism in that the former encompasses policy-making and implementation of national tourism policies. Recently, the tourism industry has shifted from the promotion of inbound tourism to the promotion of intrabound tourism because many countries are experiencing tough competition for inbound tourists. Some national policymakers have shifted their priority to the promotion of intrabound tourism to contribute to the local economy. Examples of such campaigns include "See America" in the United States, "Get Going Canada" in Canada, and "Guseok Guseok" (corner to corner) in South Korea.

Before people are able to experience tourism they usually need disposable income (i.e. money to spend on non-essentials); time off from work or other responsibilities; leisure time tourism infrastructure, such as transport and accommodation; and legal clearance to travel

### **2.3 Concept of Tourist**

Tourists as 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"(World Tourism Organization). In other word a tourist is the person who leaves home for various purposes other than migration. It is supposed that the world tourist is derived from the world 'tour' which is supposed to be derived from Hebrew word 'Tour' which means learning, studying and search (Kunwar, 1996). Therefore, a tourists always learns new things, experiences new environment wherever he visits, so it is a part of learning process. Another viewpoint is that 'tourist' derived from; 'tourism' in English and 'Tourism' in french which means moving around from one place to another place. Therefore, it represents that a tourist does not stay permanently at the word 'tourists' they were known interrelated terms. A traveler was an adventurer who visited different places to gain knowledge about nature, culture and society. Those types of journeys were arranged in dependently or with some group and were generally unsponsored. The explorer, on the other hand set out for travel, well equipped with men and material. In those days, such

travels use to be sponsored either by governments or by merchant companies with an intention to explore other countries or explorer business either for the expansion of the country or business. A tourist always learns new things, experiences new environment wherever he visits. So it is a part of learning process. Another viewpoint is that 'Tourist' derived from 'Tourism' in English and 'Tourisme' in French which means moving around from one place to another place. So, it represents that a tourist does not stay permanently at the destination.

The chamber's Nineteenth Century Dictionary defines tourists as a person who travels for pleasure out of curiosity because he has nothing better to do and even for the joy of boasting about it afterwards. The League of Nations did a pioneering work in defining the tourist for the purpose of statistical measurements. Realizing the importance of collecting tourist's statistics, the committee of statistical experts of the League of Nations, in 1923, defined foreign tourist as "Any person visiting a country other than that in which he usually resides for a period of at least 24 hours. Similarly, in 1963 the United Nations Conference on International Travel and Tourism held in Rome recommended definition for foreign tourists as, any person visiting a country other than in which he has his usual place of residence for any reason other than emphasized that the tourist should not be involved in earning activity in the country visited. The definition of tourism in revised form was prepared by World Tourism Organization (WTO) as a follow up to the Ottawa International Conference on Travel and Tourism, Statistics, jointly organized by WTO and the government of Canada in June 1991. In this definition WTO has developed a schematic breakdown of all travelers. "A traveler is defined as any person on a trip between two or more countries or two or more localities within his/her country of usual residence" (WTO). Framework for the collection and publication of tourism statistics: Travelers' are broken down into 'visitors' and other travelers'. The category 'visitors' are identified as those persons whose activities constitute tourism. A 'visitors' is defined as "any person traveling to place other than that of his/her usual environment for less than the exercise of any activity

## 2.4 Components & Elements of Tourism

There are three basic components of tourism which are also known as 3 A's of tourism:

1. **Accessibility (Reach ability/Transportation):** - Accessibility means reach ability to the place of destination through various means of transportation. Transportation should be regular, comfortable, economical and safe. Today there are various means of transportation like airlines, railways, surface (road transportation) and water transportation. The transportation should be there for all kinds of tourists and destinations.

2. **Accommodation:** - It is a place where tourists can find food and shelter provided he/she is in a fit position to pay for it. There are various types of accommodation from a seven star deluxe hotel to a normal budget class hotel.

3. **Attraction (Locale):** - It is considered as the most important basic component of tourism. Attraction means anything that creates a desire in any person to travel in a specific tourist destination or attraction.

Locale is another basic component of tourism. The locale may be used to include the holiday destination and what it offers to the tourist. The holiday destination may offer natural attractions. It is considered as the most important basic component of tourism. Fashion is an important factor in the demand for various tourist attractions and amenities. The tourist who visits a particular place for its natural beauty may decide to visit some other attractions due to a change in fashion.

**Elements of tourism:** - There are certain elements or ingredients of tourism. They are the fundamental attractions of tourism. They are.

1. Pleasing weather
2. Scenic attractions.
3. Historical and cultural factors.

4. Accessibility
5. Amenities
6. Accommodation
7. Safety and security
8. Age.
9. Gender (male or female)
10. Money.
11. Qualification
12. Hospitality by most population.
13. Other factors
  - a. Guide/ escort facilities.
  - b. Basic medical facilities.
  - c. Electricity
  - d. Water
  - e. Communication system.

**1. Pleasing weather:** - Fine weather with warm sun shine is one of the most important attractions of any tourist place. Particularly good weather plays an important role in making a holiday pleasant or an unpleasant experience. Tourist from countries with extremes of weather Visit Sea beaches in search of fine weather and sunshine. Due to this many spas and resorts along the sea coasts come into existence. In Europe, countries like Italy, Spain and Greece have developed beautiful beach resorts. There are many such

resorts along the coasts of Mediterranean sea INDIA, Sri Lanka, Thailand Indonesia, Australia and some other countries have beautiful sea beaches with fine weather are best examples where weather has played a prominent in attracting tourists. In some countries hill station resorts' have been developed to cater the needs of tourists. The best example for this is Shimla.

**2. Scenic attractions:** - No doubt scenic attractions are very important factors in tourism. Scenery consisting of mountains, lakes, waterfalls, glaciers, forests, deserts, is strong forces attracting people to visit them. Thousands and thousands of tourists are attracted by the northern slopes of the Alps in Switzerland and Austria and the southern slopes at Italy and also Himalayan. Mountain slopes of India and Nepal.

**3. Historical and cultural factors:** - Historical and cultural interest exercised tremendous influence over travelers. Large numbers of tourists are attracted every year by the great drawing power of Stratford on Avon in England because of its association with Shakespeare, or the city of Agra in India because of its famous leaning tower. Large number of Americans and Canadians visit London because of its historical and cultural attractions. So also the world famous caves of Ajanta and Ellora in India are visited by tourists because of its architecture and painting.

**4. Accessibility:** - Accessibility is another important factor of tourism. There should be accessibility for each and every location of tourist attractions. If their locations are inaccessible by the normal means of transport, it would be of little importance. All kinds of transport facilities are to be made available for such locations. The distance factor also plays an important role in determining a tourist's choice of a destination. Longer distance cost much than to short distances.

**5. Amenities:** - Facilities are very essential for any tourist centre. They are considered necessary aid to the tourist centre. For a seaside resort facilities like swimming, boating, yachting surf riding and such other facilities like deeming recreations and amusements is an important feature. There are two types of amenities viz. natural and manmade. Beaches, sea-bathing, fishing, climbing, trekking, viewing etc. are come under the former

category. Various types of entertainments and facilities which cater for the special needs of the tourists come under the latter category.

**6. Accommodation:** - The need and necessity of accommodation cannot be ignored in tourist destination. Accommodation plays a vital role in this field. Many changes have taken place in accommodation recently. New types of accommodation, particularly, holiday villages, apartment houses camping and caravan sites and tourist cottage etc, have become very popular. Usually a large number of tourists visit a particular spot simply because there is a first class hotel with excellent facilities. Today Switzerland, Holland, Austria and the Netherlands have gained reputation for good cuisine, comfort and cleanliness.

**Other factors:** - Besides the above factors, hospitality is one such factor among the variety of factors. It is the duty of the host country to be hospitable towards tourists. For this French and Indian governments have done a lot. A series of short films on various themes like “being courteous”, “cleanliness” and “welcoming” a visitor” were prepared and exhibited through a wide network cinema theatres all over the country. Slogans like “welcome a visitor- send back a friend” were displayed at various important exists and entry points like railway stations, airports and seaports. Following the above methods, many other countries launched “Be nice” campaigns. It means that the tourists must be treated as friends.

## **2.5 Tourism as an Industry**

In ancient time, tourism was regarded as a human activity, which the courageous people used to undertake, mainly for trade, conquest and pilgrimage, but at present, tourism is known as an industry and business, which arrange the facilities for the travelers on payment. As soon as tourism was turned into a ‘trade’, travel manager, started to manage, organize tours for travelers to their destination on a fixed route and time schedule charging according to the services provided for. Today, tourism has taken place of an ‘Industry’ often known as “Smokeless Industry”. The distinct feature of tourism industry is that it has to depend on a number of allied service industries such as hotels restaurants,

transports, communication and entertainment etc. thus it is a complex of inter-related industry.

Tourism, is perceived from the classical economists' view, it could not be regarded as industry because it does not produce any tangible good as such. But, according to the modern economists' view, tourism is considered as an industry which produces service to fulfill tourist demand such as service of transport accommodation tour operators, travel agents, entertainers and others. Thus, tourism has appeared as a new economic sector for rapid economic growth and increase in income level of the country. Hence tourism plays a prominent role in economy and society of a country creating employment and providing means of livelihood to a large number of the people of the country.

The General Assembly of UN declared the year 1967 as International Tourism Year, and adopted the theme "Tourism Passport to Peace" and indicated that tourism should not be confined to only a business of an industry but it is the means of communications between individuals, between people, between society and even between nations. Thus, tourism is a human activity that brings about economics welfare, social tolerance, human understanding and world peace. World Tourism Organization (WTO) in 1980 in Manila Declaration considered tourism as an important human activity for overall development of society. It widens the mental horizon of people and produces better citizens through enrichment of their personalities.

## **2.6 Visit Nepal Year 1998:**

This visit Nepal year 1998 campaign had been announced in 1996 with the objectives of creating public awareness towards tourism, promoting the domestic tourism, mobilizing the private sector in the field of tourism and enhancing the quality of tourism goods in Nepal. It aimed to attract at least 500 thousand tourists during the visit year and publishing Nepal as an attractive tourist destination.

The Ministry of tourism aimed to identify 109 new spots for the purpose of tourism during the year. His majesty the king inaugurated the visit Nepal year 1998 by formally opening the symbolic and artistic gate at Durbar Marga amidst the gathering of thousands

of people. On the function the diverse culture of people from the Himalaya to the Terai were portrayed in their own indigenous costumes.

The hostellers, travel agencies reflected their outstanding features on decorated vehicles, which demonstrated their occupational activities being carried out in the country. Police and army bands, cavalry, march past by students of different schools; traditional musical instruments and drums were some of the prominent features of the inaugural function. The seven gates constructed at various entry point of the city have been designed depicting the rich Nepal culture and craftsmanship. The fireworks and food festivals held at Tundikhel in the evening were additional attraction of the opening ceremony where people were enjoying with their families and friends.

The major objectives of the VISIT Nepal Year 1998 were:

- To further enhance the image of Nepal to the world as a unique visitor's destination and make effective campaign familiarizes Nepalese arts skill and culture to the world.
- To increase number of tourists arrival.
- To length the average duration of their stays and enhances the average spending etc.

The theme for visit Nepal 1998 was sustainable habit through sustainable tourism and its marketing slogan was "Visit Nepal 1998 A World of its Own."

The theme was highlighted to make tourism work better for Nepal and to ensure the development of environmentally sound products improvement of service standard and distribution of the benefit of tourism to the people in cities and the most remote regions in existence. The marketing slogan tells that there is a 'world; in Nepal that foreigners need to discover or further explore from them. It reminds that our natural resources are unique and that our heritage is living. Our people are friendly and hospitable and our product range is diverse; we invite all foreigners to visit, discover and re-explore the unique "world" out here.

In order to enhance the image of Nepal, through tourism sector development, GON declared in the year as visit Nepal year 1998 on April 15<sup>th</sup> 1996. To materialize the

movement declaration into action various program objectives were set. They were followed by some work strategies. The strategies are outlined below.

More airlines would operate more international flights by 1998 and more airline sets capacity would be available.

- There would be an atmosphere conducive for traveling internationally.
- There would be major socio-political stability and current tourism polices would continue their direction.
- Program and activities so designed would have an infrastructure to handle the expected number of visitor's arrivals.

Within these presuppositions VNY 1998 was celebrated. The strategies are equally important and always acceptable. So were made fully effective and workable during the year. It was also aimed to develop Nepal as a destination for tourists and to operate the tourism industry as a main source of employment generation by implementing the following policy wise activities.

- Tourism promotion programs would be launched in order to increase the inflow of the tourists with greater spending capacity from Australia, Western Europe and America and also from the newly developed tourist markets such as Eastern Asia and South Asia
- Special promotional programs would be formulated and launched to further increase the number of India tourists.
- Joint promotional activities would be launched with the collaboration of GON, Semi Government organizations and the private entrepreneurs in order to effective co-ordinate the programs and to improve the standard of tourism.
- For its stability, a separate promotion fund world is created with collective participation.
- To provide facilities to tourist coming to Nepal scheduled and charter services of foreign airlines would be encourage and the visa process would also be simplified.

- A work plan would be made in collaboration with semi-government agencies and private entrepreneurs involved in the tourism sector to promote cultural tourism as well as internal tourism would be launched to develop these sectors. Programs would be made to reduce gradually the impact of seasonally by introducing package prepared by the private sector.
- Different types of publicizing material giving detail information about Nepal's cultural historical, natural and religious features would be published and distribute inside the country and aboard.
- Nepalese diplomatic mission would be mobilized and tourism promotion unit would also be set up in the prominent tourism markets to promote tourism.
- Familiarizing the local people about different aspects to tourism would enhance public awareness.

The total tourists' arrival was 463684 during the Visit Nepal Year 1998, which has 9.9% higher than the previous year. The tourist's arrival by air and by land was 398008 and 65678 respectively. The foreign exchange earning was US \$12152500 during the year. The male and female tourist were 267871 and 195813 respectively, visited Nepal during the Visit Nepal Year 1998.

## **2.7 Jaun Hai Pokhara Programme (2002)**

“Jaun Hai Pokhara” package programs organized in 2002 in the initiation of Pokharali business entrepreneur by the help of the government its main aim was to promote tourism industry of Pokhara which was essential to be known all over the country as well as foreign country. It target was to increase more and more tourist to visit Pokhara than the previous years. Many committees were formed to make success of the package and it became successful programs objectives. It has the following objectives.

- To be known Pokhara in the world.
- To make familiar the possibilities of tourism in Pokhara.
- To introduce recreation activities favorable in Pokhara.
- To promote the tourism product.

- To promote the internal tourism.
- To introduce unique culture of surrounding areas.
- To introduce new tourism sports surrounding areas etc.

## **2.8 Nepal Tourism Year 2011:**

The government declared holiday in entire academic institutions in the valley on 14 January 2011 to celebrate Nepal Tourism Year.

Thousands, including top officials attended the inauguration ceremony which began at 11.30 a.m. at the Dasharath Stadium on 14 January 2011. The official programme ended at 3 p.m. The Metropolitan Traffic Police Division (MTPD), Kathmandu and Nepal Tourism Board (NTB), the secretariat of the NTY-2011, issued a circular on Thursday alerting commoners of the possible traffic congestion and disruption inside the Capital on Friday. To ensure effective traffic management, traffic police and the NTB made necessary arrangements for the day.

According to Nepal Tourism Board, more than 20,000 guests and delegates graced the event that also marked an air show of motor paragliding by 21 pilots

Mainstay of Nepal's economy is growing because of additional attractions such as casinos, a host of adventure sports like Everest Skydiving and mountain biking in Nepal's mountains and hills as well as international film and drama festivals. In Oct 2008, 50,567 tourists visited Nepal, with the arrival Nepal Tourism Year 2011 has begun with a slogan "Together for Tourism". This announcement anticipates at least one million international tourists in Nepal in the year 2011. One has to wait and see the direction and trend of Nepal's tourism growth until the end of calendar year 2011. Tourism, as aim of Indian tourists up by 14 percent, thus making the arrival highest in the last 8 years.

Objectives:

The country will be celebrating the tourism year with high anticipations. The major objectives include the following:

- Establish Nepal as a choice of premier holiday destination with a definite brand image.
- Improve and extend tourism related infrastructures in existing and new tourism sites.
- Enhance the capacity of service providers.
- Build community capacity in the new areas to cater the need of the tourists.
- Promote domestic tourism for sustainability of industry.

Strategies:

With the badge of adventure destination glittering and the adage “Atithi Devo Bhava” (Guests are Gods) embedded in Nepalese culture, the portfolio of tourism products never cease to mesmerize the visitors. The unparalleled cultural, geographical, ethnic and bio diversities of the country allure visitors to Nepal time and again which truly substantiates the spirit of Nepal tourism brand ‘Naturally Nepal, once is not enough!’

Here, several strategies are prepared by the government to make the tourism year successful, as follows:

- Focusing marketing and promotion activities on regional and emerging markets
- Exploration of new tourism potential market segments
- Highlighting the tourism brand: Naturally Nepal; Once is not enough!
- Enhancement of air connectivity with the regional, emerging and potential markets
- Lobbying with the government for sufficient budget allocation to improve and expand tourism related activities infrastructures in existing and new tourism areas.
- Attract and encourage private sector for investment in tourism sector
- Capacity building of human resources involved in tourism
- Lobbying with the government for effective intervention in domestic tourism development e.g. Amendment in the Transportation Act.
- Promotion of Domestic Tourism by endorsing Leave Travel Concession (LTC) by the government.
- Organize major sports/events in association with tourism associations and stakeholders throughout the NTY 2011. (At least one event in a month)

## **2.9 Development of Tourism**

Tourism is a new phenomenon. Since the beginning of human civilization man is travelling. Travel has had fascination for man. Travel in the past was not undertaken for the purpose of leisure and it was not taken during the leisure time. Before the development of transport, travels were limited to certain people and certain places. Mechanized transport has made it possible significantly for more number of people to travel to different places. Tourist and tourism is so much connected with transport system that many people misunderstand tourism with 'Transport Company'. Much of the historical study of tourism will be concerned with the development of modern transport. Development of tourism can be divided into three phases.

### **1. The First Phase: the early days up to 1840**

Before the Industrial Revolution, travel was primarily related to trade, commerce and pilgrimage. The travelers during that time were, therefore, traders and merchants looking for merchandise. At that time travel was possible only for the aristocratic class of people. They were small in number. The vast majority of the population hardly travelled beyond their village and the nearest market town. For this majority, the idea of leisure and holiday did not exist. Life was not divided into work and leisure.

The traveler requires accommodation at his destination and for his journey. When a journey cannot be concluded in a single day it requires overnight accommodation. The travelers of the 17<sup>th</sup> century were mostly wealthy people who used to be equipped. At that time religious people had built rest houses along the way for the travelers and for the pilgrims. In Nepal during the Licchavi and the Malla era people had built rest houses along the religious and trading places like Kasthamandap, Chhatrapati, Saunepati, etc. there were provisions of free lodging and fooding in Pashupatinath and Bhaktapur. They had built many service centers like Bhot Bahal for Tibetan traders and Dharasalas in Nepal and inns in Europe. One point should be noted here that at that time there was tour and travel but the concept of tourism had not developed. His concept of modern hotels

was started in London in 1744. The travel motive of that time can be divided into three principle motives

- Commercial interest
- Travel for Religious Purpose
- Travel for Seeking Knowledge

## **2. The Second Phase**

The industrial development of the second half of the nineteenth century changed the social system and developed urbanization. The urbanization led to mental tension. At the same time it increased the income and the living standard of the people. And these people in the industrial countries feel the urge to travel for the purpose of rest and relaxation. The trend of travelling for pleasure led to the phenomena of tourism. So the seed of tourism was planted in the industrial countries during the second half of the 19<sup>th</sup> century. At the same time people felt the need of some relief from their work. The increased income helped them to fulfill their desire. To fulfill the growing demand a large number of resorts were developed around the English Coast and in nearby countries. A number of pleasure zones were developed some considerable distance from the large cities and towns of central Europe.

Industrial development increased the material wealth and number of workers who could offer to travel. Simultaneous improvements in transport and communication systems during the second half of the nineteenth century enable a large number of workers to travel for holidays for rest, relaxation and pleasure. The increase in purchasing power and disposable income for travel were two important factors that helped the growth of pleasure zones. As a result the need to develop more holiday resorts was felt. Many resorts were developed to cater to the increasing needs of people who could afford a holiday.

The capacity and desire of the new middle classes people to travel was satisfied by the development of travel at a speed and with comfort, which stimulated to develop rail, then comfortable coaches, hotels and resorts. The introduction and development of railways

had a profound effect on transport. It helped cheap, swift and easy travel possible for the new middle and working class, which resulted in the growth of travel.

### **3. The Third Phases (The period after the Second World War)**

By the turn of the twentieth century all the main characteristics of modern tourism were evident. Changes in mental attitude towards pleasure seeking, the realization of the important of travel for education, increases in material wealth, a growing need to find relief from working routine, and improvement in passenger transport system all these factors produced a fertile ground for the development for tourism on a large scale.

The World Wars were responsible for a temporary halt to tourism as tourism always flourishes in peace. However, soon after the war, travels regained its own momentum. The post-war period brought large migration and increased the demand for international travel. Gradual development of mass communication system like the radio and press also played an important role in increasing travel. He communication media widened the knowledge and interest of a large number of people about other countries.

After the Second World War the standard of living of the working and middle class, rose in the industrial countries. Tourism began to appear in the countries where it had been practically unknown a few years earlier. The war also changed the concept of people especially in Europe. It broke down the international barriers and peaceful internationalism developed. This is the most favorable climate in which tourism flourished.

### **2.10 Legal Framework for the Tourism Development in Nepal**

There are many different acts, which have been made for the development of tourism in Nepal.

### **2.10.1 Company Act, 2006 A.D**

All the tourism related industries are required to be incorporated under this act. They should operate in accordance with the provisions of this act. The act mainly contains the following,

- Procedure to be followed while incorporating the company.
- Particulars of prospectus. Memorandum and Articles of Association.
- Arrangement regarding the shares and debentures.
- Procedure for conduction the board and general meeting for the company.
- Arrangements regarding board of directors, managing agents, accounts and records of the company, winding up of the company, winding up of the company, provisions regarding foreign companies, proceedings and penalties and repeal and savings.

Since the promulgation of the company act, different tourism related companies in the field of hotels and lodges, travel and trekking, river rafting and transportation including the airlines, have been established. The company act contains provisions applicable to all the industries in general. It doesn't contain provisions specific to the tourism industry. There is also no close and constant monitoring of the industries by the company register office once the companies established.

### **2.10.2 Tourism Act, 1978 A. D**

Under the provision of the tourism act of 178, all travels and trekking agencies are required to take a license from the department of Tourism (Law Book Management Board 1993, 172-196). They are required to deal in foreign currencies while providing services to tourists. The act therefore aims at making the travel and trekking business more systematic. Similarly, all tourists' standard hotels and lodges are required to be registered with the department. The purpose of the inspection is to ensure good quality of services provided to the tourists; those who fail to comply with the instructions of the department are subject to punishment. The act also requires all the mountaineers and expedition teams to seek permission form and pay him necessary fees for mountaineering

and expeditions to the Tourism Department. The act mainly aims at protecting the interest of tourists in Nepal.

The act has not been very successful in ensuring the quality control of the different tourism related industries, mountaineers and expenditure in terms and tourists guides. The Department of Tourism has not been able to carry out inspections of these different groups at regular intervals. There are also no clear standards by which to judge the quality of the services being provided to the tourists and hence the Act is not very successful in protecting the interest of tourists.

### **2.10.3 Tourism Policy 2009 A.D**

Tourism has been competitively and rapidly developing in the world and due to specific natural and cultural heritages there is a great possibility of tourism industry in Nepal. GON came up with a tourism policy 2009 as a deliberate policy for tourism development in Nepal. The policy has been made with a view to increase national production and income, foreign exchange earnings, employment opportunities, set right regional imbalances and publicist national production and income, to expand the earning of foreign currencies to create opportunities for employment having development and expanded Tourism Industry, many strategies and working polices are formulated and implemented to meet the targeted objectives and goals and development of various types of tourism in Nepal.

### **2.10.4 Home Stay Operation Manual 2010 A.D**

To promote rural tourism the concept of home stay has been introduced in Nepal since one decade ago. At first home stay has been operated in Ghale gaun in Lamjung district and in Sirubari village Syanja. Now it has been operated in various places of Nepal. The main object of home stay is to develop the rural tourism business through external and internal tourism activity. This has been very successful for the improvement life standard of rural people through tourism.

To improve the life standard of rural people by creating self employment opportunities and develop the infrastructure of rural area through tourism GON, Ministry of Tourism and Civil aviation has issued Home stay operation manual 2010. According to this manual the main objectives of home stay operation are;

- To assess the return of tourism to rural society.
- To participate the rural people in tourism service.
- To improve the life standard of rural people through increment of income source.
- To utilize home stay as means of self employment development in rural and local level.
- To provide information to tourists about rural life and culture.
- To manage convenient accommodation to tourist in urban area.

This manual consists of many rules and regulations for operation of home stay, classification of home stay, tourism activities, registration procedure for home stay operation, home stay management and operation, district home stay co-ordination committee, follow up and inspection, renewal process, advertising and marketing and other so many issues.

## **2.11 Global Economic Impact and Impact on Nepal**

The world economic growth fell from 5.0% that persisted from 2004-07 to just 3.5% in 2008. Some pundits fear a recession in US, Europe, and perhaps Japan and Korea.

Impact on Nepalese Economy: If Not Direct Definitely by Its Side Effects Nepal has not faced any direct impact, so far, from the global financial crisis. This is because its financial market is not open to short term portfolio investments from abroad. On the contrary, it has benefited from the drastic fall in global oil prices from \$ 149 to \$ 60 per barrel as the government was incurring huge losses adding to the fiscal deficit that was as high as Rs 10 billion at its peak - nearly wiping out of all the surplus of internal revenue after meeting government's regular expenditure!

However, the Nepal Government and the Nepal Rastra Bank need to be engaged in serious research by estimating quantitatively:

- A) Direct impact and
- B) Indirect impact or side effects on a sector-by-sector basis

It is not sufficient to be content with a few expert opinions on impacts simply because we really do not know how the financial and economic scenario will unfold globally and regionally in the next 2-3 years. And just how much conflict or cooperation will be its political outcome. In such a scenario, nations would be wise to make contingency plans for national self-reliant strategic actions under various scenarios.

External shocks weaken reform drives and underlying structural weaknesses are not addressed as they should. At this time even the IMF is facing the external shock that hits at its very rationale with the collapse of the 'Washington Consensus' agreed to by and between the Group 7 nations. Thus one unforeseen impact could be the rolling back of the long-drawn financial and economic reforms' agenda, which underscored Nepal's move away from the proverbial Hindu rate of economic growth of just equal to the demographic growth. Beyond the Hindu growth rate was possible, all along the 1990's, because of macro-economic stability, market liberalization particularly in finance and trade. Even during the civil war years, 2001-2006, macro-economic stability was systemically achieved by pursuing the agenda of reforms.

Since the present Maoist-led government is not really committed to all round market reforms it is expected that foreign direct investment will decline in the wake of the global financial and economic crisis. The constant depreciation of the Nepali Rupee will make oil, fertilizer and other vital third country imports inflationary which may require adjustment to the customs duties and VAT causing further erosion of internal revenue.

As with all financial markets anywhere, weakening confidence by the private sector will cause loss of trust in the national economy and thus result in either massive outflow of capital or enhanced holding of Indian currency by Nepalese households. With a fixed exchange regime with India, and given the phenomenal depreciation of the Nepali Rupee against the Dollar, much more imports will come from India at the cost of trade

diversification. As a geo-political and geo-economic side effect, a virtual 'Indianization' of the national economy may ensue to that equal to the unenviable position which existed prior to King Mahendra's policy of trade diversification of 1965.

Exports will fall faster as competitiveness of Nepalese products is going to be even lower as other countries producing similar goods face the downturn for their export to the industrial nations. Matters may be compounded if labour unrest and national bandhs are not halted. Even if the volume of overseas' export increases, earnings may decline due to depreciation of the Nepali Rupee. Service earnings may, however, get a boost as there will be greater demand for offshore research and analysis to deal with the epidemic in loan defaults and delinquencies globally.

Remittances may not be affected as most migrant workers are in West Asia. Although Malaysia is facing threats of recession, nevertheless, Nepalese workers may not be affected as they are mostly in the service or tertiary sector. Should remittance be affected significantly (because of the depth of the recession in the industrial nations and its unfavorable impact on world oil prices for example) a balance of payment crisis will loom large in Nepal and national security and stability of the entire economy and polity will be gravely tested.

Geo-political side effects are going to be there, come what may, since this crisis is also symbolic of the continental shifts in the global balance of power in favour of Asia as a new fulcrum of the emerging multi-polar world. Nepal will be drawn closer to China with the transport and communication developments in the High Himalayas and the Tibetan Plateau. Nepal will likely see much more foreign direct investment coming not just from China but also from West Asia, such as Qatar and Kuwait, if it can foster political stability.

Tourism will also be affected worldwide. This time even more as the financial crisis and economic downturn is expected to be long lasting unlike in the past. One may expect long haul, inter-continental tourism to decline significantly given the financial distress being faced by the global aviation industry. Impact on tourism is expected to be indirect

or a side effect depending on whether or not it faces a decline to India and Tibet. The ominous relations between HH Dalai Lama and China bodes ill for Tibet-bound transit tourists for Nepal. It should be underscored the high revenue yielding tourists are either India- or China-bound with Nepal as a stopover destination rather than a direct one.

I feel that the condition of Nepal is stable at this moment compared to the past two decades. Nepal is now a democratic Republic and it has a mixed economic system in which there is a private sector but the public sector is very strong. There are some political and regional tensions but as I stated earlier, the condition is much better compared to the last two decades. The Communist Party of Nepal (Maoist) is leading a coalition government and the government is under pressure from the people to perform and ensure economic development. A Maoist led government is perhaps not ideal for the growth of the private sector but the country is doing fine at this moment. Until now, there is little indication that the economy of Nepal is suffering from the implication of the global economic crises but I feel that it is about to happen.

## **2.12 Review of Related Studies**

### **2.12.1 Studies on Tourism**

As already mentioned, the study of tourism has become a subject of considerable interest for many scholars from various disciplines. It is, therefore, a multi-dimensional phenomenon and is closely related to various other disciplines. It is closely related to economics, geography, sociology, history, anthropology, politics, management and technological advancement. Over the last few decades, tourism has been studied by an increasing number of researchers from various disciplines. The researchers, mostly from social sciences, have contributed to the academic development of tourism. Tourism has been studied by an increasing number of researchers from many disciplines over the last few decades. But no widely interdisciplinary studies have so far been developed. Therefore, for the comprehensive development of tourism as a discipline, involvement of experts from different fields is considered most important. Hence, this part of study

attempts to put forward the recent viewpoint of scholars from different disciplines as a result of tourism development.

The contribution of economist's tourism research is in the area of economic measurement, cost benefit analysis, resource allocation and the use of public good in the development of tourism. The balance of payments of effect of tourism is the main concern of the special issued of the Annals of Tourism Research (Vol.19.No.1) devoted to the economics of international tourism (Douglas, 1989). Recently, the Krishnamurthy, (1995), Vellas and Becheral, (1995) from the economic perspective, tourism is an economic activity involving billions of dollars exchanged. The expenditure of the tourists at the destination is treated as invisible exports because the money injected to the economy is like export so it has balance of payment implication and multiplier effects. The writers dealing with the economic aspects of tourism have discussed applied the theories of economics to tourism such as demand and supply theory, theory of comparative cost, theories of economic developments, cost benefit analysis, input-output analysis and multiplier and acceleration concept and so on. Thus, tourism is treated as a service industry in economics. Research on economic aspect of tourism can be classified under tow broad headings:

- a. Impacts studies
- b. Policy oriented studies

The main objective of the impact study is to evaluate income and employment generated by tourist flow to the destination and to calculate its benefits and disadvantages. The contribution of tourism to economy in terms of foreign exchange earnings, government revenue and effects of tourism on other economics sectors are economics impact studies. Moreover, evaluation has been made quantify the contribution of tourism to economic development and stability of the economy. The impact studies also deal with social, political and cultural impact of tourism although it is difficult to evaluate in quantitative terms. The delirious effect of tourism on environmental degradation and morality of the resident population is also a matter of great concern. Policy oriented studies aim to develop tourism through appropriate policy and to minimize its adverse effects and to

ensure tourism policy that help the growth and development of tourism industry as a whole. Moreover, the policy should be directed towards best allocation of the government as well as private investment in tourism sector (Chottopadhya, 1995:2-3). It may be noted that impact studies and policy-oriented studies are complementary to each other. For instance impact studies throw light on economics of scale, income and employment generation, carrying capacity and other effects so that the impact of different policies can be evaluated (Chottopadhya, 1995:5). Impact studies on tourism provide an input and guidelines for policy oriented studies, *Tourism passport to development* (De Kadt. Ed. 1979) concentrates more on cultural, social and non-material aspect of tourism development. The main aim of the book it's to answer the questions whether tourism is actually the passport to develop the economy of the destination. It has already been accepted most of the scholars that tourism can be the stimulus to development of economy of developing countries. The socio-cultural aspect of destination is the most crucial aspect that should be given priority to develop sustainable tourism development especially, in the developing countries Pearce Douglas, in his book *Tourist Development*, (1989) has examined a suitable model of tourist development both for developing and developed countries from vocational and geographical aspects.

Linda R. (1989), in her book "The politics of Tourism in Asia" explores the complexity of political issues associated with tourism. She has emphasized the political implication of tourism, which has rarely been perceived by many scholars. The writer has explained the critical analysis of the relationship between the development of tourism and the politics of the countries. She has cited various cases studies dealing with tourism that id influenced by the politics of the country. The United States of America has used tourism policy as resentment towards Soviet Union for the invasion of Afghanistan by not participating in Moscow Olympic Games. By forbidding citizens of United States to visit Libya and Cuba is another political weapon used by USA. Many such examples show how the politicians use tourism as a tool to fulfill their own self-interest. The multi-national corporations dealing with hotels, aviation and tour companies, which involve billions of dolar negotiations, have actually been controlled by political relationship between the countries. Tourism policy frequently fail especially in developing nations in

terms of contributing to genuine development of the country, often they are expensive, capital intensive, import driven, seasonal, given to excessive foreign exchange leakage and subject to well-documented negative social effect and yet some policy mistakes are made over and over again (Pearce, 1989). Thus, the writer suggests for the integration and anticipation of political component while formulating tourism policy of any country. Tourism is concerned with public administration because the role of kinds of political system in a lesser or greater degree. The governments and international organizations are accelerating public programs for tourism development and management. “Where tourism succeeds or fails is largely a function of political and administrative action and is not a function of economic of business experts” (Pearce, 1989:13). Therefore, there must be personnel having clear knowledge about tourism within the beaurocracy.

Another gender issue has attracted many tourism writers, Scholars like Kinnard, Kothari, Hall, (1994) and Richeter (1995) had discussed about the gender issue in the process of tourism development. Involvement of both men and women has been observed differently in tourism industry. Recently, in many tourism areas employment opportunities for women have been confined to unskilled, low paid job such as kitchen staff, chamber maids, entertainers, etc. it is relevant to note them here although tourism has extended opportunity for low skilled and ethnic minority women in the workforce, but men usually occupy superior posts. Only few women are chief executives in the tourism sector, few are tourism academicians, travel writer (Kinnard, Kothari, Hall 1994) and Richeter teal, 1995). Perhaps, most widely discussed gender issue is sex tourism and sexual harassment of women. The gender issue in tourism also includes issues such as ownership, control and discrimination of economic opportunities between males and female gender issue is not only confined to employment and opportunity but as tourist also. “Until the 20<sup>th</sup> Century respectable women did not have opportunity to travel unless they where queens, pilgrim wives of colonizers. Even today most of the tourists are males of in other words tourism is male dominated” (Richoter & Pearce, 1995), Kinnard, Kothari and Hall have focused their attention on gender issues and tourism process.

Another concept of tourism has developed that is ‘old tourism’ and new tourism’. Old tourism has been regarded as a mass standardized and rigidly packaged holiday. New

tourism on the other hand is flexible segmented and more authentic tourism experiences (Poon, 1989:64-70). Thus, the service providers must have closer contact with customers to satisfy their needs and aspiration as tourist.

Eco-tourism is one of the fastest growing trends in the tourism industry. The term 'eco-tourism' is generally used to describe tourism activities that are conducted in harmony with nature as opposed to more traditional 'mass' tourism activities. Eco-tourism society 1992 defined it as purposeful travel to natural areas to understand the cultural and natural history of the environment taking precautions not to alter the integrity of eco-system while producing economic opportunities that makes the conservation of natural resources financial beneficial to local citizen (Theobald, Williamed, 1995:261). In this context, environment refers to both 'Physical and Human' conservation and preservation of environment has received considerable attention both in developing and developed countries. The primary market for eco-tourism is special interest tourist such as scientist, researchers, those who are interested in different nature and culture and those who want to take an unusual trip. Recently the conventional tourists also want to include eco-tourism as an item of their traveling menu.

At present, sustainable tourism development has attracted the attention of the governments of the countries, policy planners, tourism institutions and researchers. Globe 90 a conference on Global Opportunities for Business and Environment, defined sustainable tourism development as "Leading to the management of all resources in such a way that we can fulfill economic social and aesthetic needs while maintaining cultural integrity essentials ecological process, biological diversity and life support system" (Theobald, William, 1995:265).The concept of sustainable development that was first introduced by international Union for the conservation of Nature and Natural Conservation (IUCN) in the publication of world conservation strategy in 1980. World Commission of Environment and Development (WCED) in "Our Common Future" describes sustainable development that meets the need of the present without compromising the ability of future generations to meet their own needs. (Theobald, William1995:275). Sustainable development of tourism is appropriate to be mentioned because it is an industry that largely depends upon nature's endowment and society's

heritage, which has to be shared by visitors, local residents and also the future generations. It demands management of tourism activity that requires integrated ecological, economic and institutional approach. In this context, eco-tourism would be an appropriate approach as it considers the job of the host community as well as the responsibility of tourists to preserve the environment of the destination both natural and human. Therefore, eco-tourism would be the best approach to attain sustainable tourism development.

### **2.12.2 Tourism of Nepal**

In this part of the study, the past experience and knowledge of Nepalese tourism is reviewed. The past ideas of researchers and other literature available relating to this study are also reviewed. In the course of the preparation of this paper, the following literatures in tourism sector are reviewed.

This study on various aspects of tourism in Nepal is quite a recent one. An attempt has been made to review previous studies on Nepalese tourism. The concept of modern tourism in Nepal was developed only after the dawn of democracy in 1950. Till then there was neither any plan nor policy, not any written document regarding tourism development in Nepal. For the first time, George Lebrec, a French national, in 1959, prepared the first tourism plan 'General plan for the Organization of Tourism in Nepal' with the help of the French government. It is the first but very rudimentary tourism plan for Nepal. Lerec had recommended the publication of brochures, posters, postage stamps and depicting the Himalayan peaks and flora and fauna and also to use films, documentaries prepared by the mountaineering expeditions for the promotion of tourism in Nepal. There was no Department of Tourism thus he suggested the establishment of the 'Nepal Tourism Office'. Later, Lerec visited Nepal twice in 1964 and 1966 and prepared two reports namely, 'Report on the Development Tourism' and 'Report on the Tourism in Nepal' respectively. "Both of these reports are not available in the Ministry of Department of Tourism or the French Embassy of with anyone involved in tourism in Nepal. It would be interesting to find what was recommended in those reports as tourism in Nepal has started growing at a faster rate. (Pokharel, 1981)

For the first time, to develop tourism in a planned manner and to formulate appropriate tourism development policy, Nepal Tourism Master Plan was prepared in 1972 with joint co-operation of the German Government. The master plan surveyed attractions of Nepal, both natural and cultural, and found having great potentiality for tourism development. At the same time it suggested to preserve nature and culture for sustainable tourism development in Nepal. The master plan has envisaged tourism development plan and program in to two phases; the first phase (1972-1975) and the second phase (1976-1980). The development of physical infrastructures such as road, airports, hotels, resorts had been recommended in various places of the country. The plan also pinpointed the need for public investment in the basic infrastructure such roads, airports, hotels, resorts had been recommended in various places of the country. The plan also pinpointed the need for public investment in the basic infrastructure such as transport and communications, resort development and preservation of cultural and natural tourist resources. Kathmandu, Pokhara, Tansen, Lumbeni and Chitwan had been identified as tourist places and suggested developing infrastructure development in these places. At the same time, private sector was encouraged to invest in tourism. Besides development and preservation of tourist places, the Master Plan had recommended the marketing strategy, Nepalese tourism was classified as an organized sightseeing, independent, 'Nepal Style Tourism' trekking and pilgrimage. The primary markets for Nepal were identified as USA, France, UK and West Germany, Japan, Scandinavia and Australia had been targeted as secondary markets. Marketing policies and strategies suggested in the plan were that direct marketing in the immediate future would not be economical for Nepal as the markets are scattered. Nepal came into the tourism market of the world because of mountaineering expeditions in the world travel markets. The long-term goal should be to focuses on the comparative tourism plan of Nepal till date.

Nepal Tourism Marketing Strategy (1976-1981) is another study prepared by a marketing advisor from Yugoslavia, Joseph Edard Sunik, in 1975. His suggestions were based on suggestions made in The Master Plan. Sunik started with the premises that:

- As the stay of tourists cannot be prolonged until the number of international visitors can be increased substantially.

- Image of secondary destinations like Pokhara, Lumbini and Chitwan should be built up
- Nepal should become a gateway for South and Southwest Asia
- Nepal should become the starting point of any Asian tour as it is the cradle of a realign and culture that influenced that history and life of the major parts of Asia. (Pokharel,1981)

The report suggested recognizing the Department of Tourism Nepal Tourist Office that should concentrate on the marketing and promotional activities abroad with independent operational budget either in Frankfurt or in Munich, Further and the report had recommended establishing the first tourist office in India. Susnik recommended the formation of ‘Nepal Tourism Marketing Committee’ and ‘Nepal Tourism Infrastructure Committee’ with the representation of the private sector as well.

National Promotional Committee Report 1983 was prepared by Nepal style Tourism as suggested in Nepal tourism master plan. The major suggestions in the report were to develop resorts in the mid mountains, to encourage tourists from India during hot Indian summer, promotion in Europe to be stepped up, special pilgrimage package be designed for Hindu pilgrims from India and promotion of convention tourism. An additional and separate person should be deputed in existing embassies of Nepal for the promotion of tourism. It had also recommended the appointment of honorary consuls and to assign them the task of promoting tourism in Nepal. The report had also suggested talking part in various important trade fairs in order to gain firsthand knowledge of the market conditions as well as to provide information about new tourism products to the tour operators in those countries. The most important recommendation made was about the establishment of a revolving fund solely for the promotion of tourism in Nepal.

“Tourism Master Plan” (1972) formulated by GON department of tourism has provided guidelines for tourism development in Nepal. The plan shows that the potentiality of sightseeing tourism, trekking tourism, recreational tourism as well as internal pilgrims in the country. It clearly indicates that tourism can be helpful to achieve like an increasing

in foreign exchange earnings, building up profitable sectors of the private economy, creating and impulse towards the development of the national and regional economy.

Shrestha (1978) has studied in the title “An Economic Study of Tourist Industry in Nepal” with reference to travel, trekking and hotel industries. He has discussed about the tourism in developing countries and revenue and employment study of tourism industry in Nepal. He has determined that in the context of Nepal it is the fastest grow in export industry and the highest foreign exchange earning industry as compared to other sectors of economy linkage of the sector being wide; it has been assisting in the economy by creating income and employment to the people.

Pokhrel (1981) has done a study on “Econometric Analysis of Economics of Tourism in Nepal”. She has analyzed about the demand and supply sides of tourism and its development in Nepal. Further she examined the economic impact of tourism in Nepal and concluded that looking at the worldwide perspective, tourism development in Nepal has a great potentiality in future. And it may be softly argued that tourism sector of Nepal has to play even more important role in the years to come. The trend of tourism development shows that it will dominate not only the exports sector of the economy but also will contribute more to correct the deficit in balance of payments, and the national income of the economy.

Dhungel (1981) has made and attempt to analyze the “Economic impact of tourism in Nepal”. The main objectives of the study were to analyze the trend, structure and composition of tourist arrivals, to estimate the inter dependence of tourism with other sectors of the economy, to estimate the leakage within the sectors in terms of important content of both goods and factors service and foreign currency, to estimate the impact of tourism on employment, income and output of the economy. The study further aimed to estimate the demand for tourism and to estimate item wise elasticity of tourism expenditure in Nepal. The study had been carried out on the visas of both demands as well as supply frame work. The main findings of the study are summarized below.

- Politico-economic crisis in the country as well as in the region has been found to affect the number of tourists visiting Nepal. The country-wise concentrations of international tourists have been found most prominent in Nepalese tourism.
- Seasonality factor has been found most prominent in Nepalese tourism.
- Relatively higher negative co-relation has been found between the length of stay and the average per capita per day expenditure of tourists.
- Expenditure on food has been found to be inelastic whereas that of travels elastic.
- Cross-sectional estimation of the demand for tourism shows international airfare not significant for determining the number of tourists visiting Nepal.
- Weighted GDP of the tourist generating countries is found elastic and significant.
- Direct, indirect and induced effects of tourism on value added have been found relatively larger than those of non-tourism sector.
- The largest percentage of tourists visiting Nepal has been found traveling by air.
- The length of the stay as well as per capita tourist expenditure has been found to vary not only across the hotel category but also across the nationality of the tourists.
- Direct, indirect and induced effects of tourism on employment and on domestic factor payments have been found relatively less than those of non-tourism sector.
- Direct, indirect and induced effects of tourism have been found relatively larger than those of the non-tourism sectors indicating the higher import content of the tourism sector.
- Roughly around 9.72 percent of the tourists' expenditure is estimated to have been exchanged through unauthorized dealers. But only a part of these are estimated as the actual leakage in terms of foreign currency.

Nepal Tourism Master Plan Review (1984) is a review study and funded by European Economic Commission on the request of GON. The study has recommended an action plan for the promotion of tourism that is based on review and updating of the 1972 Nepal Tourism Master Plan. The study comprises three sections, part one provides background to Tourism Master Plan 1972, its contents and intents and its practical use. It has also done a comprehensive review of past developments in key areas of tourism. Part two sets

forth and updated areas of policy objectives and a market development concept for the next five years. Part three contains action-oriented recommendations. According to the report, there is no need for a new comprehensive master plan in tourism. The Tourism Master Plan 1972 is relevant in its long-term policy perspectives. The study, therefore, focuses on a pragmatic policy framework essential to solve accumulated problems and deals with priority issues of tourism.

The review study found tourism as one of the prime foreign exchange earner in the domestic economy since 1970, in the absence of other exploitable exports. Decline in arrivals and revenue since 1980 was considered due to oversupply and declining demand compounding recessionary impact on foreign exchange earnings. The study also alpires that the full potentials and the unique assets of Nepal offered to tourism have hardly been utilized. It has also observed that the signs of over development and congestion have cursed ambivalent economic gains and more visible ill effects of environment as well as cultural fallout facing tourism industry at a critical state of self defeating competition. The man cause of this condition is due to failure of the government to assume its responsibility in directing and promoting tourism in an uncontrolled liberal laissez-faire attitude prevailing, lack of professional and technical capability on the parts of the agency responsible for development of tourism and absence of any organized efforts in market promotion. The study therefore focuses on a pragmatic policy framework essential to solve priority issued of tourism. It Is necessary to improve the Ministry of Tourism with the professional skill for policy implementation. Unless the basic problems solved, no program is feasible. The real improvement is desirable in key areas such as market promotion, tourism economy and tourism industry development. The action oriented recommendation of this study focuses on improvement of capabilities in market promotion and tourism policy implementation. Planning and co-ordinations are identified as the most important and urgent areas that require action.

In an article Tourism in Nepal P.P. Shrestha published by Nepal Industrial Digest 1975, the writer has explained about growth trend of tourism and the potential resource of Tourism in Nepal. As for the importance of tourism, the writer further says “In today’s word, whether it is the developed or the developing world, tourism is a must. Tourism

helps not only providing foreign exchange to improve the country's balance of payment but also in creating employment opportunities and contributing to the cost of agriculture development and the raising of the living standard." This clearly reviews the influx of tourist in Nepal. This review clearly point out the touristic possibilities in Nepal. The tourism is one of the main sources of foreign exchange earnings which add additional income to Nepalese economy.

Nepal Rastra Bank has done a study on the heading "Income and employment generation from tourism in Nepal" (1989). This study deals about the composition of tourist, duration of their stay, tourist expenditure and the impact of tourism industries on income and employment generation. This study has identified that majority of tourists (61.6%) visited this country for pleasure followed by trekking 19.1%. this study determined that tourism industry has provided jobs about 11.176 person among them 61.7% are basic level manpower respectively. Among the employees 10.80% were females.

In the article entitled "Should Tourism Serve Nation or Vice Versa?" Rudra Prasad Sharma, on October 21, 2000, has expressed his view that Nepal is largely favored by Greenwich meantime with respect to Time zone, natural, cultural and geographical aspects. Hence Nepal has huge potentiality of interregional tourism in SAARC nations. According to a study of Asian Development Bank (ADB), it is expected that the number of tourist by the year 2010 will reach one million. This clearly reviews the influx of tourist in Nepal.

Satyaj (2001) in his book "NEPAL-An Exotic Tourism Destination", first published has claimed that tourism plays a special role in accelerating the growth of Nepalese economy. He emphasized that tourism industry is not only providing job opportunity to understand the society, habits, food, dress and the way of life to the people of different nations in the world. This has provided the people of different land a sense of unification by social and cultural understanding.

More he has given top priority on the advent tourism since Nepal is regarded as trekker's paradise. Hence, Nepal can promote Eco-Tourism, the nature tourism. According to his

book, visiting of natural environment by international tourists strengthen the political, economic and social relationship between underdeveloped and developed countries. The study clearly reviews that there is a big potentiality of tourist inflow in Nepal.

Poudel (1996) has studied, the title 'Tourist Resources and Environment Appraisal in Pokhara Region: A Geographical Analysis'. He has briefly discussed the tourist resources of this region and the different aspect of tourism like socio-economic, employment generation from servicing sides of tourism, environmental aspects by trekking tourism and development of servicing sectors of tourism in trekking routes. At the same time he analyzed the trend of tourist arrivals and development of tourism in national as well as local context of Pokhara. He has determined that tourism industry is significant to contribute the income and employment to the people but the need of quality tourist and tourism is most. The handling of group tourism should be promoted than the individual free trekkers for quality tourism in order to save the environment, socio-cultural norms and values and sustainable development of tourism for the economic benefit of the country as well as the people of this region.

Baral (2005), in his master degree thesis entitled 'Tourism In Nepal & its impacts on life style of People of Pokhara sub-metropolitan city' has analyzed the inflow of tourists in Pokhara, expenditure pattern and length of stay by the tourists various hotels in Pokhara and impacts of tourism on lifestyle of people. He has identified that because of the extreme condition of the country, the tourist inflow in Pokhara seemed to be highly decreased in 2000 to 2002. By this, many of the tourist related sector were sunk in to high debt and there was great loss of generating employment opportunities. This caused negative impact on lifestyle of people. He has also traced out that, if there are not in better condition of food, clothing, shelter, entertainment, health, education and other things, the lifestyle is considered poor. He has recommended that to increase the tourist inflow and increase the life standard of people there should be better improvement of existing infrastructure and new infrastructure should be developed.

Sapkota (2006), conducted a study in 'Economic Impact of Tourism in Pokhara' to analyze the economic impact of tourism in Pokhara through identifying the problems of

tourism. He has highlighted that, through the hotel employment is increasing by 3.4%, income of hotels is decreasing by 12.2% per year. He has suggested that during the off-season discount in hotel charge, flight cost and other tourist facilities should be provided to external and internal tourists for the increment of tourist arrival in Pokhara.

Baral (2008), in his master degree thesis has studied in the title of 'Financial impact of Tourism on Peoples Lifestyle in Pokhara Sub-metropolitan City'. The major objectives of the study as put down by researcher have been:

- To analyze the inflows of tourist arrivals and contribution to the nation by tourism industry.
- To study the financial impacts on the life style of hotel employees and hotel owners in Pokhara sub-metropolitan city
- To provide recommendations/suggestions on the basis of the study.

Major findings from the study pointed out that during the study period the trend of tourist arrival is fluctuating in nature year by year. There is not continuous increment and declining on growth rate of arrival. Tourist visit Nepal aiming the various purposes, most of the tourist visit having purposes of pleasure, trekking and mountaineering. Average 22% of arrival contributes Pokhara out of total arrival in Nepal. There is positive correlation between tourist arrivals in Nepal and in Pokhara during the study period.

It found that, by hotel industries majority of above 80% hotel owner and employees have positively changed their lifestyle by the help of tourism. Among them, above 50% have positively impact on all aspect of food, shelter, clothing, entertainment, education and health. Rest have positively emphasized on aspect of food and clothing. Trekking is the main purpose of visit in Pokhara by tourist because it is gate way of famous trekking route of Annapurna region. During the study period majority (59.8%) of tourist visit Pokhara for purpose of trekking and mountaineering. Rest 40.2% visit Pokhara for holiday pleasure, business, officials etc. It is found that gross foreign exchange earnings from tourism and its contribution to GDP are declining year by year during the study period. It is observed that, quality service to tourist, proper security management,

development of infra-structure, peace and political stability are the main key factors for tourism development.

Gautam (2009), has done a study on Potentiality of Tourism Market in Nepal. This research paper is based on to grow Nepalese economy by promoting Production & Services. The main objectives are as below.

- To analysis the travel trends figure in tourism markets
- To know the type of promotional tools effective in tourism market in Nepal
- To know general model of marketing of NTB.
- To assess the economic contribution from tourism marketing.
- To find new ways to develop new production and services for tourists.
- To find the ways to grow economy through tourism sectors.

The main findings of the study are summarized below

- The depth study of Tourism sector is must to improve it. The improvement of Tourism marketing is a vital part of the development of tourism sector.
- Tourism sector is a crucial sector to earn foreign currency. This sector enables us to grow economy. The investment in this sector is less than the other sector. This sector helps us to extend our relations in abroad.
- The increasing trend of the arrivals of tourists in Nepal is a positive indicator to extend the investment in production and services. It could be a good sector to create more employment opportunities.
- The tourist's products and services so far offered are less in Nepal.
- The publicity about Nepal in abroad is not enough and the networks of tourism agencies in abroad are not enough.

Nepali (2011), in his master degree thesis has studied in the title 'Status of Tourism and its Financial Impact' with reference to Hotel Employee's Lifestyle of Pokhara. The specific objectives of this study are:

- To find the inflows of tourist arrivals and contribution to the nation tourism industry
- To find out the status of tourism in Pokhara.
- To study the financial impacts on the life style of hotel employees in Pokhara.

The major findings of this study are as follows:

- There is continuous increment and declining on growth rate of arrival of tourists. In Nepal, Tourist arrival in 2010 is increased by 18.2% and tourist arrival in Pokhara tremendously increased by 13.4% in 2010.
- Most of tourist visit having purposes of pleasure, trekking and mountaineering. Average 32% of tourist in Nepal visit Pokhara.
- Hotels employees in Pokhara have many types of feeling on the lifestyle by the help of the tourism industry. Out of 140 hotel employees 112 employees (i.e. 80%) have positive impact, 21 employees (i.e. 15%) have no impact and 7 (i.e. 5%) have negative impact. Most of the employees are positively impacted by the tourism because there is the increment of income of employees holding job in hotel sectors.
- The gross foreign exchange earnings from tourism and its contribution to GDP are fluctuating in nature with positive ratio during the study period.

### **2.13 Research Gap**

After the review of above literature it is observed that there are numerous studies conducted in the field of tourism sector in Nepalese context. Almost all studies have attempted to disclose potentiality of tourism market in Nepal. These studies fail to study the economic impact of tourism business in Nepal. These studies are based on growth trends advertisement to attract tourist but not on revenue generation form tourism sector. Thus this study attempts to focus on revenue generation from tourism sector in Nepal. We try to concentrate the research in effectiveness of tourist arrival, length of stay, average cost of tourist each day etc.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

The main objective of this research study is to highlight the impact of global economic crisis on tourism business of Nepal and financial impacts on Nepalese people. This chapter describes the methodology employed in this study. Research methodology is a way to systematically solve the research problem. In other words research methodology describes the method and process applied in the entire aspect of the study. This chapter describes the sources and nature of data, research design, data collection and presentation.

#### **3.1 Research Design**

The objective of this study is to evaluate the impact of the global economic crisis on tourism business in Nepal with respect to Pokhara. In this study a description and analytic research design has been followed to make the required data more scientific and accurate, and to make the study more authentic and reliable.

#### **3.2 Sources and Nature of Data**

The research study is based on those data, which has primarily been used by others investigators, different kinds of reference books and primary data of field survey. Therefore, the work is entirely based on secondary data as well as primary data. The data has been collected from the sources such as Nepal Tourism Board, Nepal Mountaineering Association, Immigration Office, Ministry of Tourism and Civil Aviation, Tourism Office, Hotel Association Nepal, Nepal Rastra Bank, Prithvinarayan Campus Library Pokhara as well as [www.google.com](http://www.google.com) and other related publications.

### **3.3 Population and Sample**

The data, which are used to do analysis in this study, are derived by field survey on the basis of sampling from total population that are primary in nature and some of that are secondary data taken from different sources. For primary information 465 hotels (Which are directly involved in tourism and Registered in tourism office, Pokhara) is the total population. For study purpose 65 hotels (i.e. 14%) out of total population are sampled and on the other hand, total number of tourist arrived in Nepal were taken as population and out of that those tourist who arrived at Pokhara were taken as sample. In this study, judgment sampling method is applied.

### **3.4 Data Collection and Presentation**

In this study, the data has been collected from various booklets and bulletins of Nepal Tourism Board, Nepal Rastra Bank publications, newspapers, latest economic survey, journals etc. Some of the data are also collected Ministry of Tourism and Civil Aviation. Primary data are collected through field survey on the basis of sampling from total population. At first, raw data were collected through different sources and field survey and arranged them and tabulated in corrective presentable manner with description.

In the courses of presentation, it is more of descriptive and analytical on the basis of related data and then data have been presented in tabular form to analyzed using different kinds of methods. In the study, many tables, charts, graphs, diagrams have been drawn. They normally show up and down, increases and decreases in number and percentage change in totality. Similarly, purpose of visit employment generation form tourism, Gross foreign exchange earnings, and contribution to government revenue by tourism, length of stay and so on are shown. As statistical tools, percentage (to analyze increasing and decreasing trend), Karl-Pearson's co-relation co-efficient (to analyze the relationship between tourist arrival in Nepal and Pokhara) and least-square method (for estimation purpose) are applied.

### 3.5 Data Analysis Tools

#### Trend Analysis:

Among the various methods of determining trend of time series, the most popular and mathematical method is the least square method. Using this least square method, it has been estimated the future trend values of different variables. For the estimation of linear trends line following formula can be used:

$$y = a + bx$$

Where,

y = Dependent variable

x = Independent variable

a = y-intercept

b = Slope of the trend line

#### Measures of Correlation

We examine the relation between the various variables. Correlation refers to the degree of relationship between two variables. If between two variables, increase or decrease in one causes increase or decrease in another, then such variables are correlated variables. The reliability of the value of coefficient of correlation is measured by probable error. The correlation coefficient describes the degree of relationship between two variables. It interprets whether variables are correlated positively or negatively. The Karl Pearson coefficient of correlation (r) is given by following formula:

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

$r$  = correlation coefficient

$N$  = The number of items in  $x$  and  $y$  series

$\sum xy$  = The total of the product of items in two series

$\sum x$  &  $\sum y$  = Total of  $x$  series and  $y$  series respectively

$\sum x^2$  &  $\sum y^2$  = The total of square item in  $x$  series and  $y$  series respectively

The Karl Pearson coefficient of correlation always falls between  $-1$  to  $+1$ . The value of correlation in minus signifies the negative correlation and in plus signifies the positive correlation. As the value of correlation reaches to the value of zero, it is said that there is no significant relationship between the variables.

## **CHAPTER IV**

### **PRESENTAION AND ANALYSIS OF DATA**

#### **4.1 Data Presentation and Analysis**

Nepal, one of the least developed countries in the world with per capita income of \$ 645 (Rs 46,020), (The Kathmandu post JUL 07 2011), has numerous reasons for its underdevelopment reasons for its underdevelopment. Nonetheless, its land locked geo-political position between India and China and its limited resources base are regarded as major responsible factors. These together hinder exports of industrial products from Nepal. In contrast, tourism products are only exports from Nepal that do not need to go through the Indian tourist route and it thus increases the perspectives of tourism development manifold compared with the merchandise exports. In addition, Nepal as a destination country has an enormous natural beauty, the lofty Himalayas, century's old cultural heritage and monuments to offer to the pleasurable and cultural tourists. Moreover, Nepal is the birthplace of Lord Buddha and the only Hindu State in the world, which together increases the prospect of developing pilgrimage tourism in the country. In short, enriched with large potentialities Nepal possesses a higher prospect of developing various types of tourism such as mountaineering and trekking tourism, cultural tourism and pilgrimage tourism.

Tourism today is the world's largest industry. It has been contributing in different fields. It has been largest industry dates back to the sixties. However, the seventies showed to our planners as well as the private industry as to what potential tourism industry has the eighties could not build on results of nineties were no different. The millennium ahead is standing before us a challenge. Likewise, arrival of tourists is increasing number of tourists per annual except some years. Tourism has been becoming one of the most flourished industries in Nepal.

One concerning Pokhara, as early records show, Pokhara had 681 visited in 1962. This numbers was increased to 230799 within 48 years including Indian tourists to visit Pokhara. In the local level in Pokhara, the government had been represented by a tourist information center early 1961, but was closed 1966. Realizing its need, it has been re functioning since 1972 as recommended by master paln1972. The next significant step by GON was done in 1974 by introducing physical development plan 1974, this has aimed to develop Pokhara as tourist destination and another step is the establishment of tourism development committee in 1976 in accordance with the recommendation of Pacific Asia travel Association. This committee acts as an advisory body for tourism development plan & policy of the area. Pokhara had visited by some pilgrimage and researcher before it developed as a tourist destination. In 1899, Ekai Kawaguchi, the Buddhist scholar was the first foreigner to visit and describe about Pokhara. In order to develop the tourism of Pokhara the institution like Pokhara tourism council, Pokhara tourism promotion committees, Hotel Association of Pokhara, Trekking Agencies' Association of Nepal (TAAN), and Nepal Association of Tour & Travel Agents (NATTA) etc are working in recent time.

## **4.2 Tourist Arrival Trend in Nepal and Pokhara**

Tourism reaches into the varied aspects of Nepalese life and its benefits are encompassed by diverse sectors directly and indirectly. It generates employment opportunities and helps in the promotion and conservation of the art and culture. The tourism industry is one of the foreign currency earners in the country and thus makes a significant contribution to the economy. Government of Nepal has been actively promoting tourism in Nepal and has always encouraged the private sector for their involvement and participation. The Ministry of Culture, Tourism & Civil Aviation (MOCTCA) gives equal importance to conservation of natural, cultural and human resources.

The tourism industry is growing very rapidly and Nepal has tremendous potential for tourism development because of its unique natural and cultural heritage. In this context, this tourism policy has been formulated with the aims of: increasing national productivity and income; increasing foreign currency earnings; creating employment opportunities;

improving regional imbalances and projecting the image of Nepal more assertively in the international arena; through the development and diversification of the travel and tourism industries.

Tourism was a major source of foreign exchange earnings. Especially since Mount Everest (Sagarmatha in Nepali) was first climbed by Sir Edmund Hillary and Tensing Sherpa in 1953, the Himalayas have attracted foreigners to Nepal. Mountaineering and hiking were of considerable interest as were rafting, canoeing, and hang gliding. Tourism was facilitated with the opening of airways to Kathmandu and other parts of the country and the easing of travel restrictions.

In the 1950s, there was a shortage of hotels. Beginning in the 1960s, the government encouraged the building of hotels and other tourist facilities through loans. According to government statistics, between 1985 and 1988 the number of hotel rooms increased from under 22,000 to more than 27,000.

Prior to the trade impasse with India beginning in March 1989, tourism had grown by more than 10 percent per year for most of the 1980s. Between 1985 and 1988, the number of tourists increased from approximately 181,000 to about 266,000. More than 80 percent of the tourists arrived in the country by air.

In FY 1985, more than US\$40 million worth of foreign exchange was earned through tourism. By FY 1988, this amount had increased to more than US\$64 million. In FY 1989, tourism accounted for more than 3.5 percent of GDP and about 25 percent of total foreign exchange earnings. The 1989 trade and transit impasse with India negatively affected tourism because the transport and service sectors of the economy lacked supplies. Beginning in FY 1990, however, Kathmandu initiated a policy to allocate fuel on a priority basis to tour operators and hotels.

Tourism is the largest industry in Nepal; the largest source of foreign exchange and revenue. Possessing 8 of the 10 highest mountains in the world, Nepal is a hotspot

destination for mountaineers, rock climbers and people seeking adventures. The Hindu and Buddhist heritage of Nepal and its cold weather are also strong attractions.

Tourism today is the world's largest industry. It has been contributing in different fields. It has been largest industry dates back to the sixties. However, the seventies showed to our planners as well as the private industry as to what potential tourism industry has the eighties could not build on results of seventies nineties were no different. The millennium ahead is standing before us a challenge. Likewise, arrival of tourists is increasing number of tourists per annual except some years. Tourism has been becoming one of the flourished industries in Nepal.

Focusing on Pokhara, as early record show, Pokhara had 65,679 visited in 2004. This numbers was increased to 230,799 in 2010. In the local level in Pokhara, the government had been represented a tourist information centre early 1961, but was closed 1966. Realizing its need, it has been re-functioning since 1972. The next significant step by Neapal Government was done in 1974 by introducing physical development plan1974, this has aimed to develop Pokhara as tourist destination and another step is the establishment of tourism development committee in 1976 in accordance with the recommendation of pacific Asia travel association. This committee acts as an adcisory body for tourism development plan and policy of the area. Pokhara had visited by some pilgrimage and researcher before it developed as a tourist destination. In 1899, Ekai Kawaguchi, the Buddhist scholar was the first foreigner to visit and describe about Pokhara. In order to develop the tourism of Pokhara the institution like Pokhara tourism Council, Hotel Association of Pokhara ect are working in recent time.

## 4.2.1 Annual Tourists Arrival, Growth Rate and Length of Stay in Nepal

Table-1

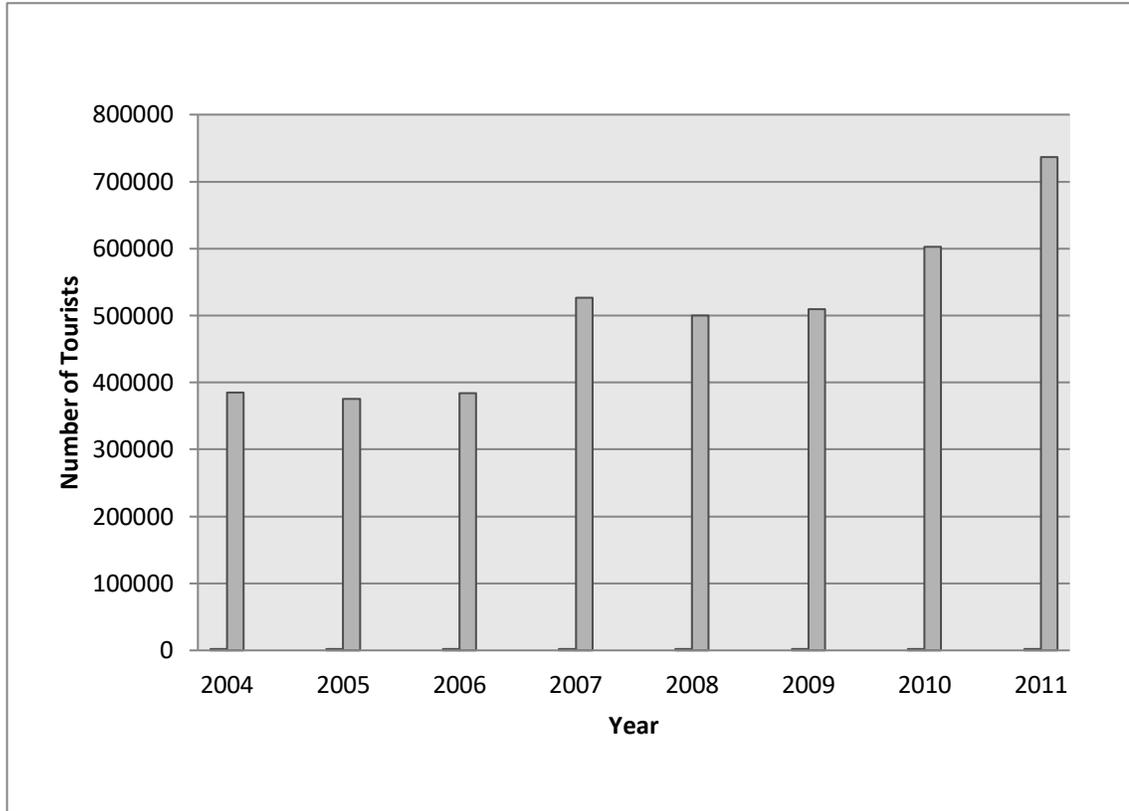
Annual Tourist Arrival in Nepal (2004-2011)

Year	Total		By Air		By Land		Average Length of Stay
	Number of Tourist	Growth rate %	Number of Tourist	Percent of total	Number of Tourist	Percent of total	
2004	385,297	13.9	297,335	77.2	87,962	22.8	13.51
2005	375,398	-2.6	277,346	73.9	98,052	26.1	9.09
2006	383,926	2.3	283,819	73.9	100,107	26.1	10.2
2007	526,705	37.2	360,713	68.5	165,992	31.5	11.96
2008	500,277	-5	374,661	74.9	125,616	25.1	11.78
2009	509,956	1.9	379,322	74.4	130,634	25.6	11.32
2010	602,867	18.2	448,800	74.4	154,067	25.6	12.67
2011	736,215	22.1	545,221	74.1	190,994	25.9	13.12

(Source: Nepal Tourism Statistics; GON, Ministry of Tourism & Civil Aviation)

Diagram-1

Annual Tourist Arrival in Nepal (2004-2011)



Data mentioned above shows that there were 385,297 tourists in 2004 and this number is totally increased to 526,705 in 2007. This is favorable number for tourism industry. In 2007, the average length of stay of tourist is 11.96% which is the highest record in between 2004 to 2009. The growth rate is 37.2 in 2007 which is the highest growth after 2004 to 2011. In 2005 it was decrease by -2.6 percent. Similarly, 2008 is unfavorable for tourism, 500,277 is low comparing to previous year 2007. The growth rate is -5 percent. During this period the average length of stay of tourist is 11.78 days. After 2008 it was slowly increasing number of tourist in 2009, 2010 and 2011 and average length of stay of tourist is 13.12 percent in 2011 which is the highest record of tourist stay after 2004.

The trend of the growth rate, there is -2.6 percent in 2004 where as 2.3 in 2005. The growth rate is negative in 2004 and 2008; otherwise it is on increasing trend. Most of the tourists have come by Air and only few by Land. Around 75 percent tourists have come Nepal by Air in between 2004 to 2011.

By looking the average length of stay, there is upward and downward trend. The average length of stay in 2004 was 13.51, in 2006, it was recorded 10.20 days. It declined from 2008 to 2009 as compared with the year of 2007. Among the year from 2005 to 2011, the average length of stay was high in 2004 and least in 2005. The stay period was increased in 2011 (i.e. 13.12 days) over the year of 2010 (i.e. 12.67 days).

The global financial crisis began in July 2007 and maybe it could be cause, that's why number of tourist's arrivals in Nepal in 2008 decreasing as it negative growth.

#### 4.2.2 Annual Tourist Arrival in Pokhara

Table-2

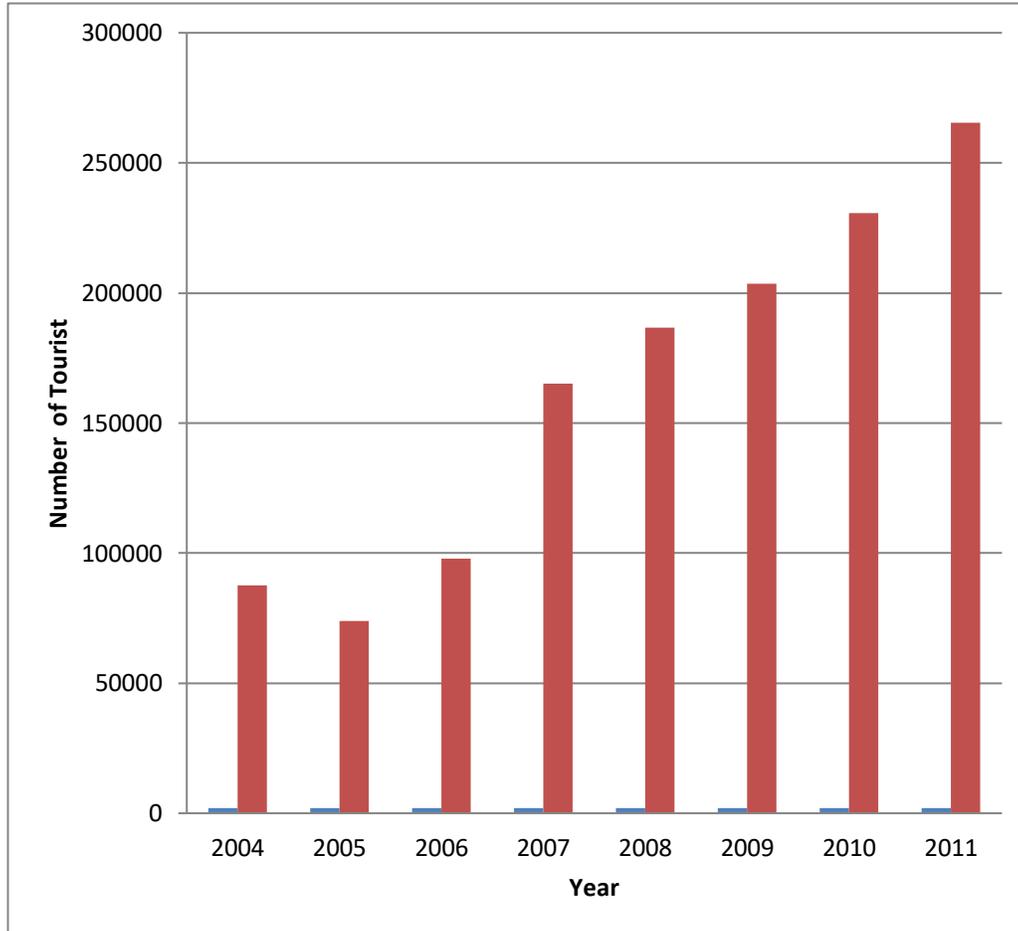
Annual Tourist Arrival in Pokhara (2004-2011)

Year	Number of Tourists	Growth %
2004	87693	0
2005	74012	-15.6
2006	97799	28.1
2007	165177	74.2
2008	186643	13
2009	203527	9
2010	230799	13.4
2011	265355	14.97

(Source: Nepal Tourism Statistics; GON, Ministry of Tourism & Civil Aviation)

Diagram-2

Total Tourist Arrival in Pokhara, 2004-2011



According to above data, there were 87,693 tourists in 2004 at Pokhara and unfortunately it was decrease by -15.60 percent in 2005. However, after 2005 it were continually increased no of tourist arrival at Pokhara. In 2007 the growth rate is 74.20 percent which were the highest percent of growth from 2004 to 2011 and maximum no of tourist arrival at Pokhara in 2011 were 265355. The above diagram also clearly shows the trend of increasing number of tourist arrival at Pokhara. Only in 2005 it were decreased otherwise it were in increasing number of tourist at Pokhara.

### 4.2.3 Visitors to pokhara by major nationalities and month.

Table-3

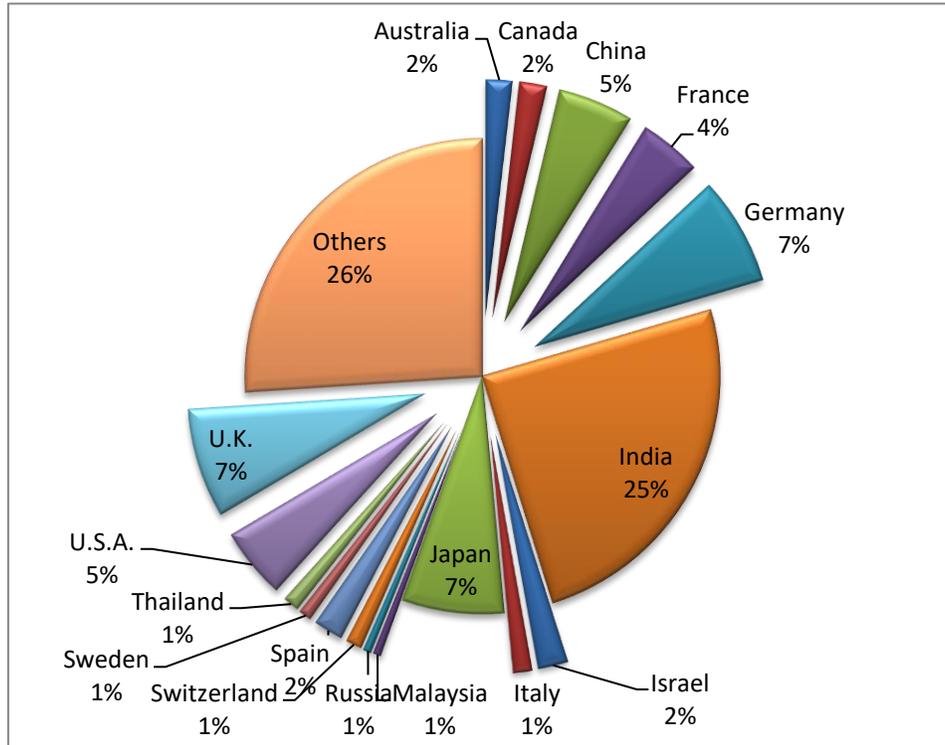
Visitors to Pokhara by Major Nationalities and Month, 2010

Nationality	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Total
Australia	315	315	515	500	307	270	210	401	615	835	730	690	5,703
Canada	333	302	405	385	236	315	211	236	299	703	411	362	4,198
China	904	850	690	963	663	640	501	903	1,056	1,306	1,290	1,160	10,926
France	750	721	800	500	400	458	500	733	904	1,209	905	1,111	8,991
Germany	1,302	1,250	1,364	1,436	800	730	640	1,400	1,590	1,906	1,833	1,666	15,917
India	4,350	3,690	4,500	1,935	2,311	2,505	5,000	2,000	5,001	8,000	7,115	6,333	52,740
Israel	355	245	405	395	250	309	311	202	805	890	706	723	5,596
Italy	230	199	333	170	171	172	105	305	219	460	266	209	2,839
Japan	1,227	1,305	1,223	1,116	788	715	779	1,075	2,122	2,300	2,195	1,900	16,745
Malaysia	96	85	105	118	77	65	55	152	145	219	150	166	1,433
Russia	97	81	99	116	95	100	101	143	144	220	145	136	1,477
Switzerland	195	177	302	350	273	222	201	298	698	600	515	506	4,337
Spain	355	250	499	432	300	225	203	233	801	866	706	733	5,603
Sweden	155	145	181	173	165	106	95	84	84	220	211	195	1,814
Thailand	195	186	209	94	95	94	115	175	402	420	319	299	2,603
U.S.A.	850	803	911	604	877	633	575	606	1,086	1,305	1,223	960	10,433
U.K.	1,313	1,313	1,600	1,425	890	1,233	615	766	2,100	2,400	2,125	2,100	17,880
Others	4,583	6,449	10,241	10,635	5,065	5,956	913	511	4,949	6,421	4,785	1,056	61,564
Total	17,605	18,366	24,382	21,347	13,763	14,748	11,130	10,223	23,020	30,280	25,630	20,305	230,799

(Source: Tourism Office, Pokhara)

Diagram-3

Visitors to Pokhara by Major Nationalities at 2010



Above table and diagram clearly shows the no of tourist arrivals ratio at Pokhara in 2010 with reference to the month and nationality. In 2010 maximum no of tourist were Indian and Others nationality came at Pokhara. Besides that, maximum no of tourist came in Pokhara from Japan, U.K and German which were 7 percent. Even USA and Chinese tourists' record was quite good then other nationality like Thailand, Sweden, Italy, Israel etc.

Likewise, March, April, September, October and November were the tourist session. In March 24,382 tourist came at Pokhara similarly 21,347 at April. The maximum no

of tourist came at Pokhara in October which was 30,280 and minimum tourist came in August which was 10,223.

#### 4.2.4 Tourist Arrival by Sex & Age Groups.

Table-4

Tourist Arrival by Sex and Age Groups, 2004-2011

Year	Sex		Total	Age Groups					
	Male	Female		0-15	16-30	31-45	46-60	61&Over	Not
									Specified
2004	255,303	129,994	385,297	38,734	84,125	128,267	96,920	37,251	
2005	257,972	117,426	375,398	30,429	57,115	114,103	106,077	67,674	
2006	218,818	165,108	383,926	37,433	75,626	123,541	95,260	52,066	
2007	290,688	236,017	526,705	38,870	112,879	164,488	130,756	69,927	9,785
2008	286,983	213,294	500,277	42,581	106,596	150,171	121,387	60,531	19,011
2009	288,155	221,801	509,956	84,891	140,805	141,955	99,197	39,638	3,470
2010	361,611	241,256	602,867	41,156	120,395	189,852	172,800	64,593	14,071
2011	352,059	384,156	736,215	32,795	171,081	212,176	177,983	82,726	59,454

(Source: Nepal Tourism Statistics; GON, Ministry of Tourism & Civil Aviation)

Diagram-4

Tourist Arrival by Sex, 2004-2011

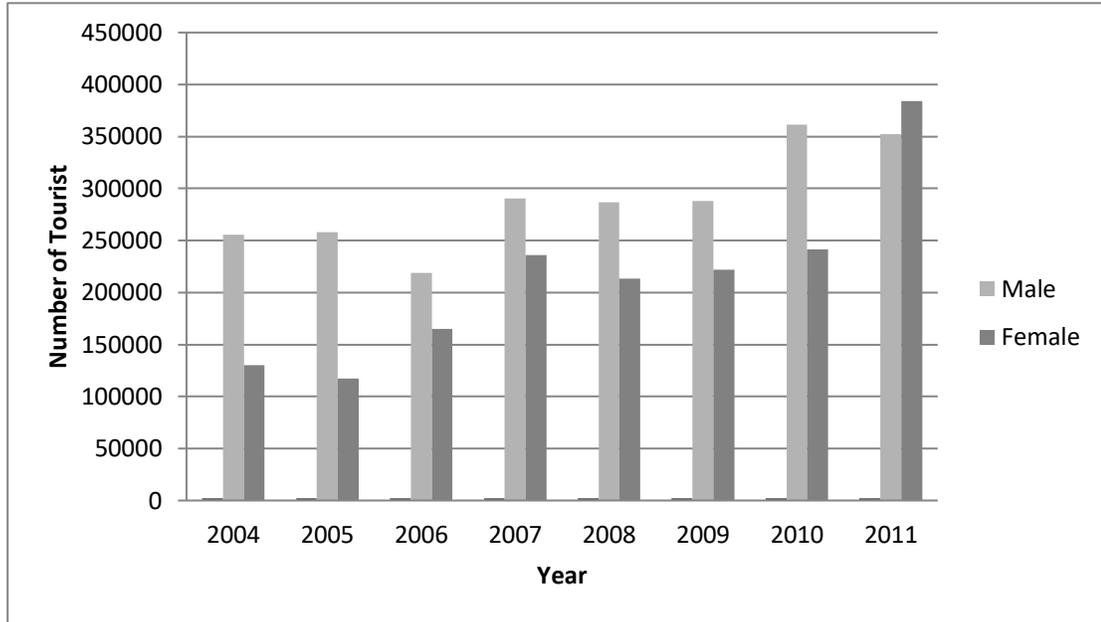
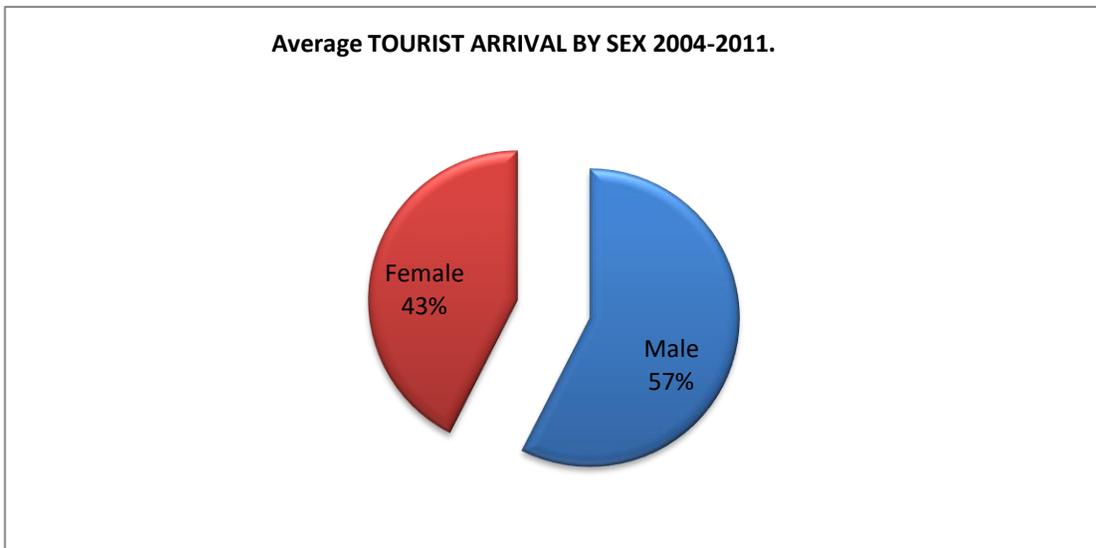


Diagram-5

Average Tourist Arrival by Sex 2004-2011



The data presented in table-4 shows the number of male tourist inflow greater as compared to the female tourist inflow in every year from 2004 to 2010, except the year 2011. The figure reflects that male tourist inflow was highest in number in the year 2010 with 3, 61,611. Similarly, lowest was in 2006 with only 2, 18,818.

Like-wise the number of female tourist is lower as compared to the males, the maximum number of 3, 84,156 were recorded in the year 2011. And the same way the lowest number was recorded in 2005 with 1, 17,426.

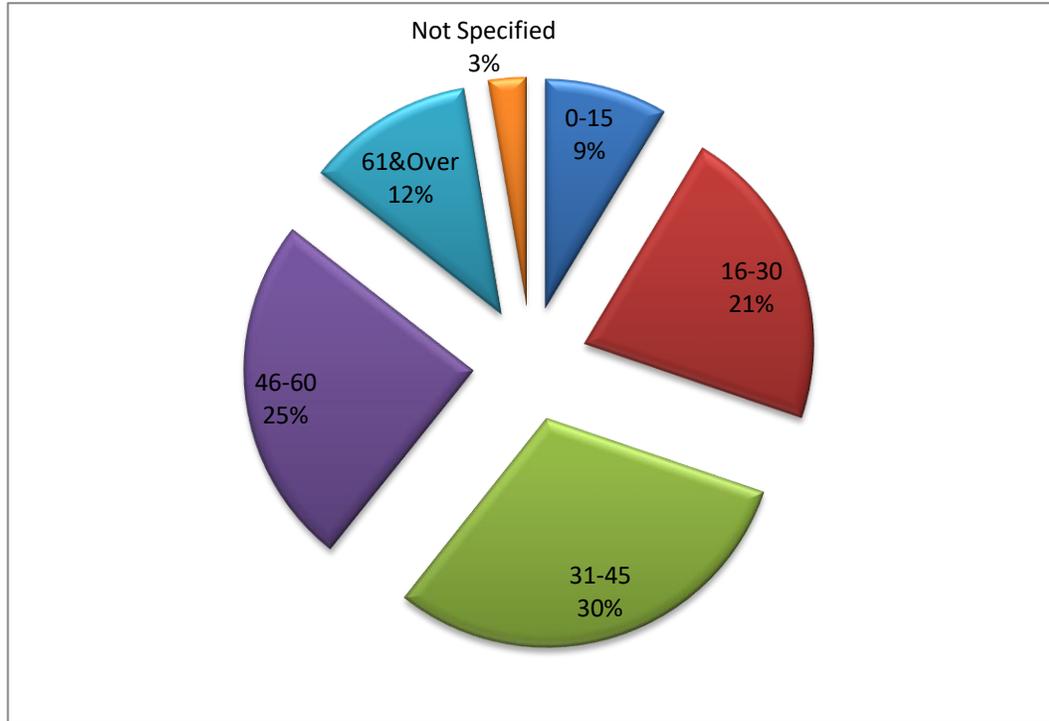
The diagram-5 also shows the average percentage of male and female tourist arrived in Nepal from 2004 to 2011. Out of them 57 percent were male and 47 percent were female tourist visit in Nepal during the period.

Similarly, the study has evaluated the tourist inflow in relation to different age groups. The groups were divided in to five different categories ranging from 0-15 years to 61 years and over. Ranking of tourists' inflow Nepal under different age group criteria reveals the following influx during the period of 2004 to 2011 by age.

<b>Age Group</b>	<b>Rank</b>
0-15	Fifth
16-30	Third
31-45	First
46-60	Second
61 & Over	Fourth
Not specified	Sixth

Diagram-6

Average Tourist Arrival by Age group 2004-2011 (in a %)



Tourists in age group (31-45) have been increasing then other age group. The maximum number of tourist of this group was 2, 12,176 in the year 2011. Like-wise the highest of 1,71,081; 1,77983; 82,726 in number are recorded for the age group of 16-30, 46-60 and 60 & Over in the year 2011 in the span between 2004 to 2011. The child and 60 & above tourist is low, so Nepal should expand polices & strategies to attract more tourist as well other age group.

#### **4.3 Tourist Arrival by Purpose of Visit in Nepal & in Pokhara.**

Nepal is a landlocked country and very beautiful by the nature. Tourist comes here via plane or by vehicles. They use to come to Nepal with various purposes like pleasure, trekking mountaineering business, official, convention and conference and many more. Tourists are attracted by the beauty of the country. Mainly, travelers have come to Nepal having the aim of pleasure and others. Most of the tourists have luxury oriented intension to visit High Mountain of the country. Trekking is another attracting aspect of tourism.

Likewise mountaineering, rafting, sight seen, boating etc are other attracting sectors of the tourism.

#### 4.3.1 Tourist Arrival by Purpose of Visit in Nepal

Table-5

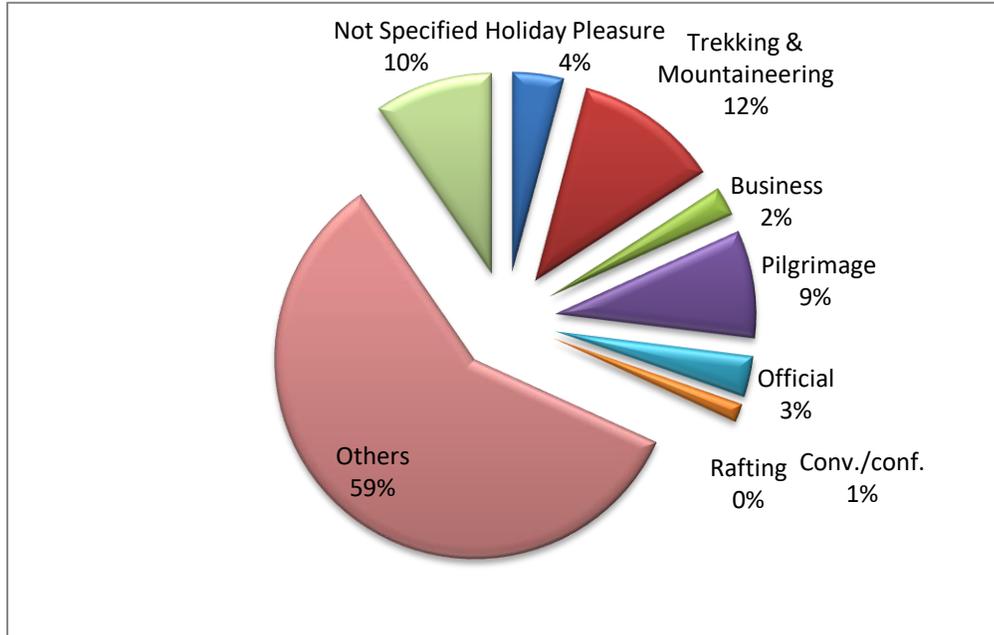
Tourist Arrival by Purpose of Visit in Nepal (2004-2011)

Year	Holiday Pleasure	Trekking & Mountaineering	Business	Pilgrimage	Official	Conv./conf.	Rafting	Others	Not Specified	Total
2004	167,262 (43.40)	69,442 (18.00)	13,948 (3.60)	45,664 (11.90)	17,088 (4.40)	0 0.00	0 0.00	71,893 (18.70)	0 0.00	385,297 (100.00)
2005	160,259 (42.70)	61,488 (16.40)	21,992 (5.90)	47,621 (12.70)	16,859 (4.50)	0 0.00	0 0.00	67,179 (17.90)	0 0.00	375,398 (100.00)
2006	145,802 (27.70)	66,931 (12.70)	21,066 (4.00)	59,298 (11.30)	18,063 (3.40)	0 0.00	0 0.00	72,766 (13.80)	0 0.00	383,926 (100.00)
2007	217,815 (41.40)	101,320 (19.20)	24,487 (4.60)	52,594 (10.00)	21,670 (4.10)	8,019 (1.50)	65 0.00	78,579 (14.90)	22,156 (4.20)	526,705 (100.00)
2008	148,180 (29.60)	104,822 (21.00)	23,039 (4.60)	45,091 (9.00)	43,044 (8.60)	6,938 (1.40)	243 0.00	99,391 (19.90)	29,529 (5.90)	500,277 (100.00)
2009	40,992 (8.00)	132,929 (26.10)	22,758 (4.50)	51,542 (10.10)	24,518 (4.80)	9,985 (2.00)	285 (0.10)	186,849 (36.60)	40,098 (7.90)	509,956 (100.00)
2010	63,082 (10.46)	70,218 (11.65)	21,377 (3.55)	101,335 (16.81)	26,374 (4.37)	9,627 (1.60)	730 (0.12)	252,473 (41.88)	57,651 (9.56)	602,867 (100.00)
2011	3210.00 (4.10)	86260.00 (11.70)	17859.00 (2.40)	63783.00 (8.70)	24054.00 (3.30)	10836.00 (1.50)	2181.00 (0.03)	430641.00 (58.50)	70391.00 (9.60)	736215.00 (100.00)

(Source: Nepal Tourism Statistics; GON, Ministry of Tourism & Civil Aviation)

Diagram-7

Tourist arrival purpose of visit 2011 in Nepal



The data mentioned above shows that 167262 tourist have come to Nepal aiming Holiday pleasure in 2004 that is 43.40 percent out of total numbered 385297. Similarly 18%, 30.6%, 11.90%, 4.4% and 18.7% are trekking and mountaineering, business, pilgrimage, official and others respectively. Most of the tourists have come to Nepal for holiday then other activities which are always almost higher up to 2008 comparing to others. Likewise, trend is decreasing up to 2006 but in 2007 other than Pilgrimage is increasing trend. There is decreasing trend of purpose of visit from 2004 to 2011 in holiday pleasure except 2007 and 2010. There is 4.10% in 2011 that is the lowest percent from 2004 to 2011. The second highest purpose of visit is others purpose and from 2004 to 2006 is decreasing and from 2007 to 2011 is increasing trend. Trekking and Mountaineering is third highest purpose of visit in which percentage is decreasing and increasing in different years. There is 18% in 2004 and 16.40% in 2005 similarly, 12.70% in 2006, 19.20% in 2007, 21% in 2008, 26.10% in 2009, 11.65% in 2010 and 11.70% in 2011. Pilgrimage, official, convention and conference, rafting and not specified have low percentage of purpose of visit. There is

low percentage in rafting among the purpose of visit. Mainly Indian tourist visit Nepal as pilgrimage and other countries tourists visit Nepal as Buddhist Monk and religious persons.

According to the chart based on the data of 2011, most of the tourist came for other activity which is almost 59%. Likewise, 4% in holiday pleasure, 12% trekking and mountaineering, 2% in business, 9% in pilgrimage, 3% in official, 1% in convention and conference, 10% in not specified and almost zero percent in rafting in 2011. By observing data, holiday pleasure tourist is converting to other activities and enjoying their time with adventure activities and business purpose.

#### 4.3.2 Tourist Arrival by Purpose of Visit in Pokhara.

Table-6

Tourist Arrival by Purpose of Visit in Pokhara (2004-2011)

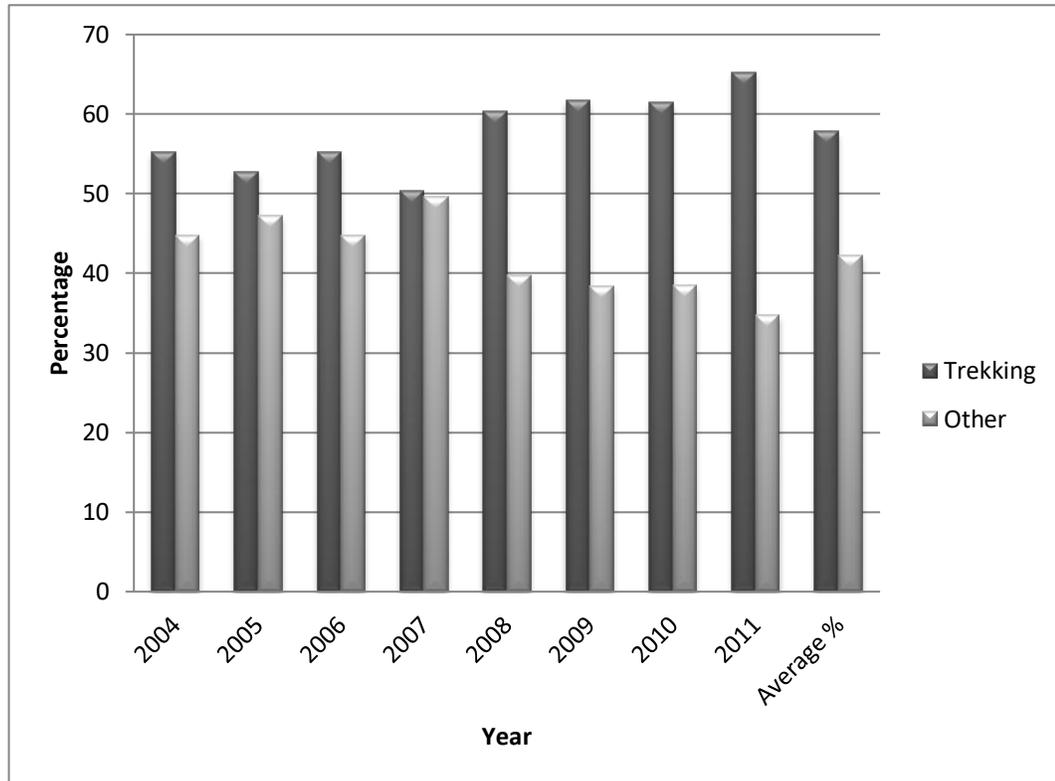
Year	Purpose of visit (In %)		Total
	Trekking	Other	
2004	55.2	44.8	100
2005	52.8	47.2	100
2006	55.2	44.8	100
2007	50.4	49.6	100
2008	60.3	39.7	100
2009	61.7	38.3	100
2010	61.5	38.5	100
2011	65.3	34.7	100
Average %	57.8	42.2	100

\*Others Includes Holiday Pleasure, Business, Officials etc.

(Source: Nepal Tourism statistics/Tourism office Pokhara)

Diagram-8

Tourist Arrival by Purpose of Visit in Pokhara (2004-2010)



Pokhara is chosen as a starting point for the popular trekking routes to the Annapurna region. Most of the more popular treks start from Pokhara since the high mountains is reached quickly and there is a variety of beautiful scenery within a week of walking, “By the late 1980s over 40,000 trekkers were coming from all over the world to the Annapurna region each year. Porters, tents, hotels and restaurants are needed for trekking, so, it has brought jobs and opportunities for many Nepalese.” (Dorothy1997:89). Authentic and detailed information for the purpose of visiting Pokhara is not available. However, on the basis of total arrivals and purpose of their visit in national context a general can be drawn in Pokhara. Record shows that 2007 is the decreased phase for trekking only 50.4% out of total tourist arrival. There are other purposes of tourist to arrive in Pokhara like holiday pleasure, business, official and convention, pilgrimage and conference that are low in percentage comparing to trekking

purpose. There is only 34.7% out of total tourists have visited Pokhara as other purposes in 2011.

On an average the total arrivals between 2004 and 2011 reveals that 57.8 percent visitors come to Pokhara mainly for trekking purpose and rest 42.2 percent for others purposes as according to the basic of total arrivals and trekking permits issued for Pokhara region. Whatever the fluctuation in annual record, the number of trekking is consistently increasing more than that for the other purposes of the visit in Pokhara. Record shows that the pleasure by trekking is the main purpose to visit Pokhara by tourist; the unique natural and cultural scenarios of Pokhara region have drawn a major section of tourist arrivals with the majority of trekking tourist of Nepal. Hence, it has developed as source of income and employment generation opportunity to the people of this area. It has changed lifestyle of hotel owner, hotel employees and other people who directly related in hotel management and tourism.

#### **4.3.3 Share of Tourists Arrival in Pokhara with Respect to Tourist Arrival in Nepal.**

Share of Tourist Arrival in Pokhara with Respect to Tourist Arrival in Nepal (2004-2011)

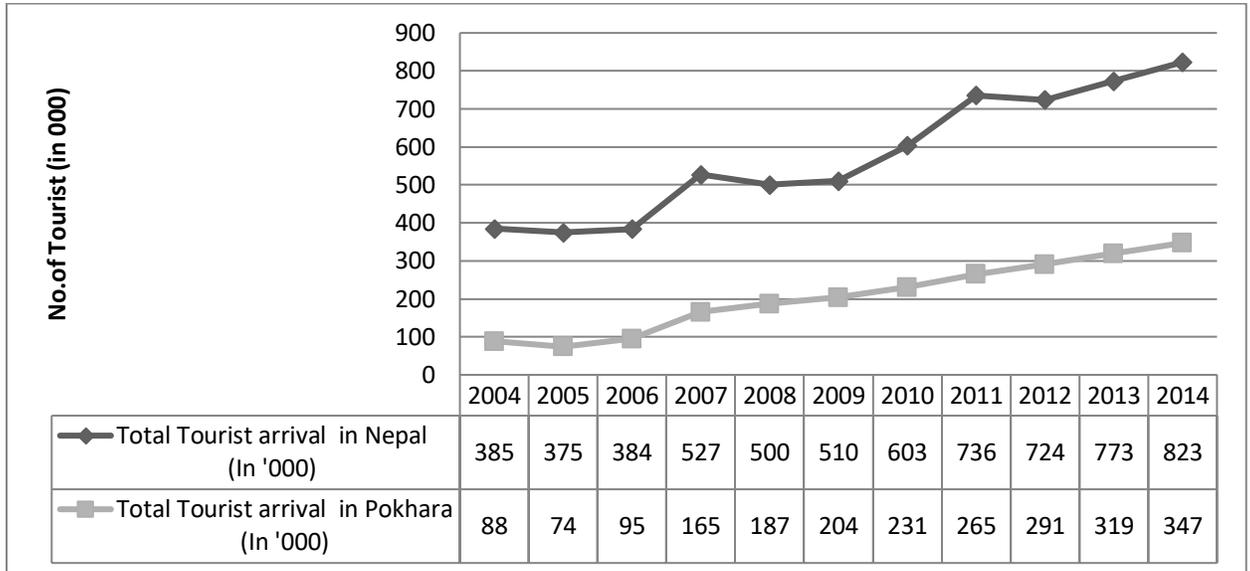
Table-7

Year	Total Tourist arrival in Nepal (In '000)	Total Tourist arrival in Pokhara (In '000)	% of Tourist visiting Pokhara
2004	385	88	23
2005	375	74	20
2006	384	95	25
2007	527	165	31
2008	500	187	37
2009	510	204	40
2010	603	231	38
2011	736	265	36
2012	724	291	32
2013	773	319	34
2014	823	347	39

(Source: Nepal Tourism statistics & annex- 4)

Diagram-9

Trend line Analysis of Tourist Arrival in Nepal and Pokhara (2004-2014)



Above mentioned data shows that, the total number of tourist arrivals in Nepal have the great contribution to the arrival in Pokhara. In 2004, among the total arrival number of 385 thousands, 88 thousands i.e. 23% tourist visited Pokhara. This number increased up to 204 thousands i.e. 40% of total number of arrival 510 thousands in Nepal, in 2009, though the total number of arrival in Nepal i.e. 603 thousand in 2010, the contribution of Pokhara i.e. 38% and 36% in 2011 is less than the previous year. The contribution to Pokhara was very high i.e. 40% during the year of 2004-2011. In 2005, low 20% out of total arrival in Nepal visited Pokhara. By observing above trend line, the trend of tourist arrival in Nepal is continuously increased from 2004 to 2011. The trend of arrival in Nepal from 2004-2011 is fluctuating in nature with grater variance. By looking tourist arrival in Pokhara from 2004 to 2011, the trend is homogeneous in nature. The trend analysis also shows that the number of tourist visiting Nepal and Pokhara is high.

#### **4.3.4 Correlation between Tourist Arrival in Nepal and in Pokhara**

Correlation co-efficient indicates the relationship (i.e. positive, negative and normal) between two variables and its effect with one variable to another. Here, Karl Person's correlation co-efficient is calculated to show the relationship and effect between total tourist arrival in Nepal and in Pokhara. According to the calculation (shown in Anex-2), the correlation co-efficient between tourist arrival in Nepal and Pokhara is measured ( $r$ ) = 0.95, which is the highly positive correlation co-efficient. This indicates that, if tourist arrival in Nepal increases, the tourist arrival in Pokhara also increases and vice versa.

#### **4.4 Foreign Exchange Earnings from Tourism**

The tourism industry is growing very rapidly and Nepal has tremendous potential for tourism development because of its unique natural and cultural heritage. Through the development and diversification of the travel and tourism industries, it increases national productivity and income; increases foreign currency earnings; creating employment opportunities; improve regional imbalances and projecting the image of Nepal more assertively in the international arena.

Tourism was a major source of foreign exchange earnings. Especially since Mount Everest (Sagarmatha in Nepali) was first climbed by Sir Edmund Hillary and Tensing Sherpa in 1953, the Himalayas have attracted foreigners to Nepal. Mountaineering and hiking were of considerable interest as were rafting, canoeing, and hang gliding. Tourism was facilitated with the opening of airways to Kathmandu and other parts of the country and the easing of travel restrictions.

Tourism is the largest industry in Nepal; the largest source of foreign exchange and revenue. Possessing 8 of the 10 highest mountains in the world, Nepal is a hotspot destination for mountaineers, rock climbers and people seeking adventures. The Hindu and Buddhist heritage of Nepal and its cold weather are also strong attractions. Nepal was earning very humbly amount of foreign exchange from tourism before 1971/72.

Similarly, growth of tourism and foreign exchange earnings also depends upon hotel accommodation facilities provided by private sectors. Nepal government has given permission to open and operate 5 stars to non-star standard hotels in private sector. There were a total of 996 hotels out of that 110 were star and 886 were non-star hotel in the

country in the year 2004. The highest no of hotels recorded at 2005 were 1006 and at 2010/11 were recorded 736 hotels only. In the year 2010 and 2011 Revenue from Tourism (US\$ ' 000) were recorded 329,982 and 368,773.

#### **4.4.1 Gross Foreign exchange earnings in Convertible Currencies (2004-2011) trend from tourism trade:**

The table presented below shows the foreign exchange earnings trend from tourism sector. In the contest of foreign exchange earnings in the world tourism Nepal was earning very nominal amount of foreign exchange from tourism before 2005.

Table-8

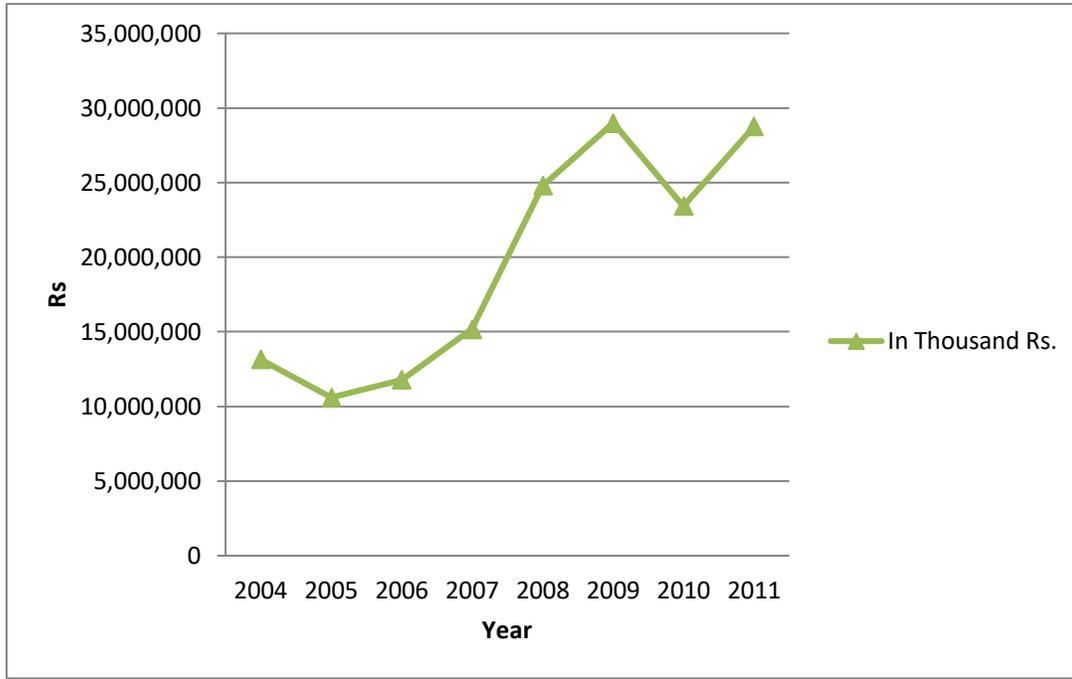
#### Gross Foreign Exchange Earning in Convertible Currencies (2004-2011)

Year	Total Earning		% Change in US \$	Average Per capita Income in US \$	Average income per visitor per day in US \$
	In Thousand \$	In Thousand Rs.			
2004	179,941	13,146,534	-6.7	609.8	45.1
2005	148,441	10,600,345	-17.5	532	58.5
2006	162,790	11,784,644	9.7	561	55
2007	230,617	15,185,071	41.7	535	45
2008	351,968	24,802,195	52.6	860.3	73
2009	377,172	28,996,950	7.2	739.6	65.3
2010	329,982	23,428,700	-12.5	547.4	43.2
2011	368,773	28,764,300	11.8	500.9	38.2

(Source: Nepal Rastra Bank)

Diagram –10

Gross Foreign Exchange Earning In Convertible Currencies



The relevant development of international tourism in Nepal is connected with the comparative increases and decrease of the foreign exchange at monetary level. Increase in foreign currency also increases the foreign currency reserve and per-capita income. Higher foreign currency reserve empowers the import capacity and prevent from Balance of Payment Crisis. In Nepal, tourism plays the vital role to earn the foreign currency. Tourists from different areas and nationalities spend foreign currency that is why tourism is one of the main sources of earning foreign currency.

According to the above data, foreign exchange earning in Nepal from tourism is almost in increasing trend from 2004 to 2011. In 2004, the foreign exchange earning was 179,941 thousand U.S. \$ and it has generated average per-capita income of U.S. \$ 609.8. From 2004 to 2011 there was up and down growth in foreign exchange and generation of average per-capita income was increasing and decreasing in trend. The growth rate of foreign exchange earnings in 2004, 2005, 2006, 2007, 2008, 2009, 2010 and 2011 is -6.7%, -17.5%, 9.7%, 41.7%, 52.6%, 7.2% , -12.5% and 11.8 respectively and average per-capita income measured as U.S \$ 609.8, 532, 561, 535, 860.3, 739.6, 547.4 and

500.9. During the period of 2004 to 2011, the highest growth rate of income and average per-capita income is in 2008 and lowest in 2011.

#### 4.4.2 Trend of Foreign Exchange Earning from Tourism

Trend values of foreign exchange earnings from tourism in Nepal Using Least square method. (2004/2005-2010/2011)

Table-9

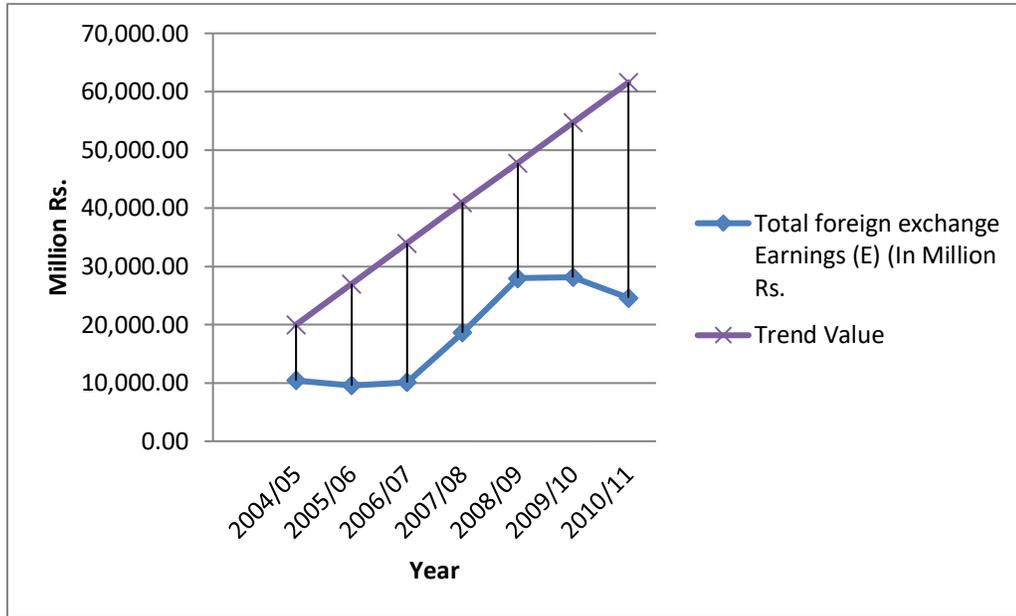
Trend of Foreign Exchange Earning from Tourism (2004/005-2010/011)

Fiscal Year	Total foreign exchange Earnings (E) (In Million Rs.	Growth Rate %	Ratio of GDP	Trend Value
2004/05	10,464.00	-	1.8	19994.31
2005/06	9,556.00	-9	1.5	26990.23
2006/07	10,125.00	5.95	1.4	33986.15
2007/08	18,653.00	84.23	2.3	40982.07
2008/09	27,960.00	49.9	2.8	47727.99
2009/10	28,139.00	0.64	2.4	54673.91
2010/11	24,611.00	-12.53	1.8	61569.83

(Source: Nepal Rastra Bank)

Diagram-11

Trend of Foreign Exchange Earning from Tourism (2004/05-2009/010)



Foreign exchange earning in Nepal is in increasing and decreasing trend year to year from fiscal year 2004/2005 to 2010/2011. Foreign exchange earnings are decreased in fiscal year 2005/2006 as compared to previous year and then foreign exchange earnings is increasing from fiscal year 2006/2007 to fiscal year 2010/2011. There is decline in fiscal year 2005/2006 by -9%. There is increment of 5.95%, 84.23%, 49.9% and 0.64% in fiscal year 2006/2007, 2007/2008, 2008/2009 and 2009/2010 and decreased in fiscal year 2010/2011 by -12.53. Foreign exchange earnings from the tourism sector amounted to Rs 9556.00 million, in 2005/2006 a drop of -9% compared to fiscal year 2004/2005.

On the concerning upon trend values, increasing tendency has noticed from fiscal year 2004/2005 to fiscal year 2010/2011 denoting in number 19994.31 to 61569.83. The trend value of foreign exchange earnings is obtained by following least square method.

The trend equation is:  $y = a + bx$

To know the values of a and b, we have equations, based on least square principle.

$$\Sigma y = na + b \Sigma x$$

$$\Sigma xy = a\Sigma x + b\Sigma x^2$$

Similarly, Trend values of fiscal Year 2004/2005 to 2010/2011 are obtained by above mentioned trend equation using the least square method which is shown in ANNEX-3.

#### 4.4.3 Foreign Exchange Earnings from Tourism Sector as Percent of Merchandise Exports and Exports of Goods and Non-factor Services

In this part of the study of foreign exchange earnings from tourism sector percent of total value merchandise exports and total value of export of goods and non-factor services are included. The following table shows the trend of foreign exchange earnings from tourism as percentage of merchandise exports, export of goods and non-factor service.

Table-10

Foreign Exchange Earnings from Tourism Sector as Percent of Merchandise Exports and Exports of Goods and Non-factor Service

Year	Total Foreign Exchange Earning From Tourism (Rs. In Millions)	As % of Total Value of Merchandise Exports	As % of Total Value of Exports of Goods & Non Factor Service
2004/05	10,464.00	17.5	12.2
2005/06	9,556.00	15.5	10.9
2006/07	10,125.00	16.5	10.8
2007/08	18,653.00	30.1	17.9
2008/09	27,960.00	40	22.8
2009/10	28,139.00	44.5	24.6
2010/11	24,611.00	35.8	20.2

(Source: Nepal Rastra Bank)

The above table shows the percentage of foreign exchange earnings from tourism to total value of merchandise exports was 17.5 percent in the year 2004/05. This declined by 2 percent in the following year 2005/06. After 2005/06 it had been increasing till 2009/10 but in 2010/11 it was decreased. The highest percentage of merchandise export was recorded as 44.5 percent in the year 2009/10.

Likewise, the table shows the trend of foreign exchange earning tourism as a percentage of total value of exports and non-factor services over the same period under study. It was 12.2 percentages in the year 2004/05. It had been decreased following two year. Then after, the rate was in increasing trend contentiously up to 2009/10 except 2010/11.

#### 4.4.4 Foreign Exchange Earnings from Tourism and contribution on GDP

Tourist sector alone contribute around 2.00 percent to the total GDP. The following table presents the foreign exchange earnings from tourism sector as percent contribution of Gross Domestic Product (GDP) from the year 2004/05 to 2010/11.

Table-11

Foreign Exchange Earnings from Tourism and contribution on GDP.

<b>Year</b>	<b>Total Foreign Exchange Earning from Tourism (Rs. In millions)</b>	<b>As % of GDP</b>
2004/05	10,464.00	1.8
2005/06	9,556.00	1.5
2006/07	10,125.00	1.4
2007/08	18,653.00	2.3
2008/09	27,960.00	2.8
2009/10	28,139.00	2.4
2010/11	4,611.00	1.8
Average		2.00%

(Source: Nepal Rastra Bank)

The trend of foreign exchange earnings from tourism as a percentage to GDP the trend was in decreasing and increasing order. In 2004/05, the percentage of foreign exchange earnings from tourism sector to GDP was 1.8 percentages which has decreasing trend till the year 2006/07. In 2007/08 and 2008/09, the GDP trend increased compared to the previous years. Unfortunately at the year 2009/10 and 2010/11 it was fall down to 2.4 percentages and 1.8 respectively. However, overall percentage of earning from the tourism in relation to the GDP has been 2.00 percent remain at the period between 2004/05 to 2010/11.

#### **4.4.5 Average Length of Stay and Expenditure Pattern of Tourists in Pokhara**

##### **4.4.5.1 Length of Stay of Tourists in Various Hotels in Pokhara**

Table- 12

Average Length of stay of Tourists in different type of Hotel at Pokhara

Hotel	Average Length of Stay
Star	2-4 days
Medium (Tourist Standard)	2-4 days
Small	1-3 days
<b>Total</b>	<b>2.7 days</b>

(Source: Field survey, 2011)

Most of the tourists come to Pokhara for trekking purpose as it is mentioned in previous chapter of this study. The duration of stay of tourist in Pokhara is quite less i.e. 1.7 nights. So the trekkers use Pokhara as a rest place only before and after trekking. The actual length of stay of tourist is 13.5 days in 1996 in national context of Nepal and there are about 7.9 days in 2002 and 12.67 days in 2010. However, in case of present study the length of stay of tourist varies from 1-3 days to 2-4 days in Pokhara.

Tourists often stay at Pokhara only one day and night. The stars hotels have 2-4 days; medium hotels have 2-4 days and small hotel 1-3 staying day in which the average length of stay is 2.7 days considering all types of hotels in Pokhara. Similarly it is considered that average length of stay 2.7m days is not sufficient for development of tourism. Tourist has no place to visit and see for their longer stay. The limited sightseeing places and tourist spot can be visited within one day. So, more tourist places are needed to prolong the length of tourist stay in Pokhara. So it's equally needed to develop the tourist spot like Recreation Park, short hike place, home stay places etc in Pokhara to increase the duration of stay of tourists.

#### 4.4.5.2 Expenditure Pattern of Tourist in Various Hotels in Pokhara

Table-13

Expenditure Pattern of Tourist in Various Hotels in Pokhara (per day)

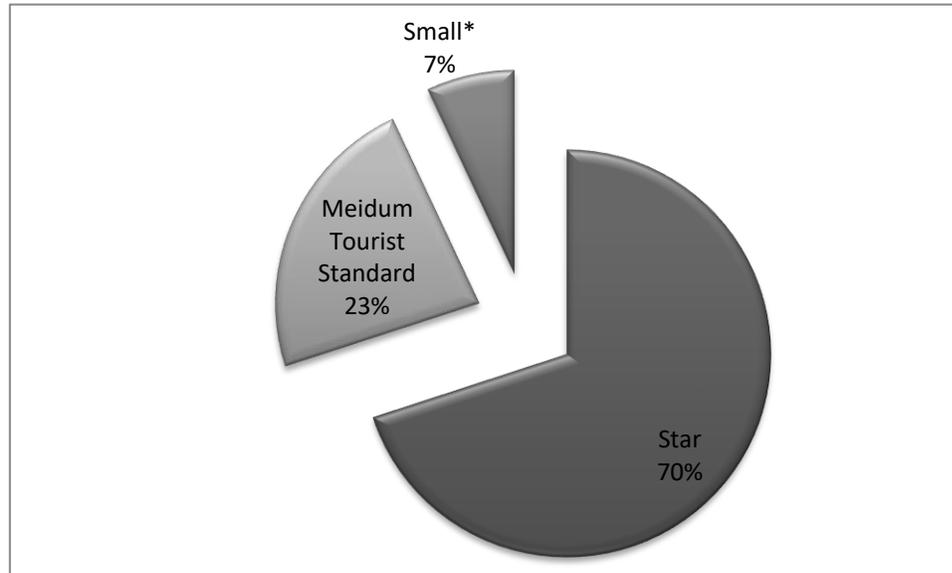
Levels of Hotels	Max Expenditure (In \$0	Min. Expenditure (In \$)	Average Exp. (In \$)
Star	250	100	175
Meidum Tourist Standard	75	40	57.5
Small*	25	10	17.5

\*Small includes general lodges, guest house etc.

(Source: Field survey, 2011)

Digram-12

Expenditure Pattern of Tourists in Various Hotels in Pokhara (Per day)



The average expenditure of per visitor national context of Nepal per day \$ 31.9 (DOT 1996:69), However in the present study the average expenditure of a tourist in one day and night is \$ 83.33 in Pokhara.

There is big gap of tourist expenditure by tourists in small hotels to in stars level hotel in Pokhara. The average expenditure of tourists in stars hotels is \$175, followed by medium scale by \$ 57.5 and small scale is just \$17.5. There is the variation between maximum and minimum expenditure in stars hotels to small hotels. The notable cause for this deviation of expenditure pattern by tourist may be the quality tourist visit the stars and medium scales hotels and consume the more goods, facilities and services. On the other hand there is limited services and facilities in small hotel and visitor contribute only little amount of money for lodging. Generally free individual trekkers who contributes small budget to travel in Pokhara prefer the cheap place to stay. So go the general lodge and guest house. They do not significantly contribute for the income and employment of hotel industry. However the agency handle group tourists spend to hire potters, guides for trekking, staying in tourist standard hotels. So they contribute significantly for the income

and employment point of tourist in the hotels of Pokhara than national context is unhealthy and head cut competition among the tourist hotels or Pokhara.

## **4.5 Major Finding of the Study**

### **Major finding from Secondary Data**

- The total foreign exchange earnings from tourism were Rs. 10464 millions in 2004/05. But in 2005/06 it had fallen down by -8.68 percentage then previous year 2004/05.
- The trends of foreign exchange earnings from tourism sector seem to be on an incremental way up to fiscal year 2010/11
- Although the number of tourist inflow in Nepal declined in the year 2007/08, the foreign exchange earnings increased to Rs 18653 millions having growth rate of 84.22 percent as compare to the previous fiscal year 2006/07
- The highest percentage, 84.22 percentage total foreign exchange earnings was recorded in the year 2007/08
- The highest percentage of merchandise export was recorded as 44.5 percent in the year 2009/10.
- Foreign exchange earning tourism as a percentage of total value of exports and non-factor services over the same period under study. It was 12.2 percentages in the year 2004/05. It had been decreased following two year. Then after, the rate was in increasing trend contentiously up to 2009/10.
- The trend of foreign exchange earnings from tourism as a percentage to GDP the trend was in decreasing and increasing order.
- In 2004/05, the percentage of foreign exchange earnings from tourism sector to GDP was 1.8 percentages which has decreasing trend till the year 2006/07.
- In 2007/08 and 2008/09, the GDP trend increased compared to the previous years.
- However, overall percentage of earning from the tourism in relation to the GDP has been 2.00 percent remain at the period between 2004/05 to 2010/11.

- It is found that gross foreign exchange earnings from tourism and its contribution to GDP is fluctuating in nature with positive ratio during the study period
- Average 31% of tourist in Nepal visit Pokhara. There is positive correlation between tourist arrivals in Nepal and Pokhara during the study period.
- Trekking is the main purpose of visit in Pokhara by tourists because it is gate way for famous trekking route of Annapurna region. During the study period majority (57.8%) of tourist visit Pokhara for purpose of trekking and mountaineering. Rest 42.2% visit Pokhara for holiday pleasure, business etc.
- Before and after global economic crisis tourist inflow growth rate normally is in increasing trend.
- Foreign Exchange Earnings from Tourism and contribution on GDP is positive.
- Hence the global economic crisis not affected our tourism business.

#### **Major Finding from Primary Data**

- Average length of stay of tourist in Nepal is quite good but in Pokhara is very low only 2.7 days.
- The expenditure of tourist in different hotels in Pokhara is in variation minimum \$10 to maximum \$250 in average \$83.33 per day.

## **CHAPTER: V**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

In this chapter, attempts have been made to draw summary and consultations according to the findings of this study.

#### **5.1 Summary**

Tourism will also be affected worldwide. This time even more as the financial crisis and economic down turn is expected to be long lasting unlike in the past. One may expect long haul, inter-continental tourism to decline significantly given the financial distress being faced by the global aviation industry. Impact on tourism is expected to be indirect or a side effect depending on whether or not it faces a decline to India and Tibet. The ominous relations between HH Dalai Lama and China bodes ill for Tibet-bound transit tourists for Nepal. It should be underscored the high revenue yielding tourists are either India- or China-bound with Nepal as a stopover destination rather than a direct one.

Nepal is a tourist destination where tourist spots are still in searching. Being a beauty, it is known all over the world which is credit point for the country. Mount Everest, birth place of Lord Buddha, Pashupatinath, unique topography, strange flora and fauna, old culture, friendly behavior etc are the main things to attract tourist in Nepal. Tourism is the country's major industry, in words; tourism is a business of providing accommodation and services for people visiting a place. Many scholars have defined tourism separately. However, tourism is a business that is related with tourist who visits the place for different purposes. Tourism has been becoming one of the most foreign exchange earnings sectors from its beginning to now. In the beginning tourism was not developed as it is now, it is unknown from the primitive time to before unification. There

was little bit interest during the Rana rules and later the world entered in tourism sector and Nepal couldn't remain separate. Moreover, many institution related on tourism established the government started work on tourism field and different plans were formed to develop the tourism in Nepal. Tourism was mostly developed after the democracy of the 1990. The government took strong determination to develop tourism sector. Tourism policy 1995, ninth plan of tourism visit year 1998, Tourism year 2011 and minor programmers in different parts of country were the pioneering tasks on tourism field. Now a day, many activities of tourism are going on smoothly facing limited problems such as Nepal Band, Strike, Political instability and lack of infrastructure.

The studied area Pokhara is a popular tourist destination after the Kathmandu valley in Nepal. This place is full of tourist resources of beautiful scenery e.g. natural lakes, rivers, caves, close from the snowy mountains and popular trekking routes. Hence the tourism of Pokhara has been developed since the 1960 by trekking tourism.

The real momentum of tourism development in Pokhara has started from 1980 with the flow of visitors and servicing sector of tourism activities. The trend of tourist arrival in Pokhara has been increased continually. However, it was decreased in the years of 1977, 1983, 1990, 2000, and 2002 because of political unrest strikes and democratic movement, Maoist problem global terrorism etc.

Likewise, 1998, 1999, 2003, 2004, 2005, 2006, 2007, 2008, 2009 and 2010 are the remarkable year to increase the number of visitors tourists arrival in Pokhara reveals high seasonality. Autumn and spring are the peak seasons for the visitors, whereas the rainy season (June and July) is the lowest. October and November is the mist favorable month for the tourist arrivals. Trekking is the main purpose to come to Pokhara by the tourist. Being close to the mountain and Himalayan range and natural vegetation as well as climatic variation in Annapurna region, Pokhara has been developed with the new hopes of trekking tourism in Nepal.

The duration of stay by tourist in Pokhara is quite short in comparison to the national context of Nepal. Usually the average visitors stay in Pokhara is 2.7 days. The main cause to stay short time by tourist is lack of recreational center and more tourist spot in and around Pokhara valley. The expenditures pattern of tourist is also quite less. It is because

of the unhealthy competition among the hotels. However there is great variation of expenditures pattern in small-scale hotel to stars hotel by \$10 to \$250.

The development of tourism activities in Pokhara provides the job opportunity for the large number of people. Through this employment opportunity the local as well as the people from outside the Pokhara are economically benefited. Due to the increasing trend of tourist arrivals in Pokhara, development of tourism activities is directly related with the employment opportunity for the large number of people.

Tourism industry is the major contributor to internal resources mobilization by foreign exchange earnings and 2.03% in GDP. There is the decreasing ratio in average length of stay of tourist as well arrival in Nepal. Likewise the purpose of visit to Nepal reveals that majority of tourist come to Nepal as well as Pokhara for pleasure, trekking and mountaineering.

## **5.2 Conclusion**

Tourism is an industry like other industries. It is the basic industry for development of the fundamental things of Nepalese economy. Tourism develops the financial activities. Tourism can be fruitful for the nation when there is peace, security and proper management among different sectors. The aim of bringing 5.5 to 10 lakh tourist per annum is very weak point today. Tourism sector is remained confusion position due to instability in the nation. It is the best income earning sectors so that priority should be given on it. If tourism industry is improved, the country will be successful to reduce poverty and disorder.

Now tourism has many problems such as lack of sufficient airline, few tourism spots and services, unreliable communication, economy Circes, improper banking system, unclear rule and regulation, Nepal banda, political instability and so on. Tourism was flourished after unification, many plans and policies, legal acts were formed to develop the tourism sector. Many forms of the tourism have developed any many programs on tourism were

celebrated to promote tourism have develop and many programs on tourism were celebrated to promote tourism industries.

Now there is fluctuating trend of tourist arrival in country and tourist's purpose of visit is not distributed in fields. There are many types of hotel in Pokhara but length of stay and expenditure pattern of the tourists is not improved. In an average number of tourists arrival in Nepal normally is in increasing trend from 2004 to 2011. So we can conclude that the global financial crisis not affected so much on Tourism Business of Nepal and Pokhara. Nepal faced Jana Andlon (2062/063) and kicked out the King with his power but after that in Nepal facing more problems due to political instability.

From the mid of 2007 global financial crisis started and at that time in Nepal's political situation was not good, as like many chakka jam, Nepal band and so on, occurred and tourist arrival in Nepal is in decreased from 2007 to 2008. But after 2008 it was found quit good increasing number of tourist arrived in Nepal so I personally conclude that very nominal impact we face of global financial crisis on our tourism business.

At the global financial crisis period our GDP is positive and in increasing trend so the crisis not affected tourism business of Nepal. Peace and political stability are the main key factors for tourism development.

### **5.3 Recommendations**

The following points are worthy to be mentioned here as recommendation for the promotion of tourism in Nepal.

- Visit Nepal year 1998, Jaun Hai Pokhara Programs, Nepal Tourism Year 2011 and other minor programs have promoted tourism industry but these types of programs should be celebrated time to time to promote rural, ethnic, eco and sustainable tourism.
- To make tourist arrival satisfactory in Nepal, the government should provide security and good services to tourists. To increase the tourist arrival many kinds of promotional activities should be conducted.

- Though the Tourist arrival ratio is increasing in Pokhara, for the further betterment necessary infrastructure of the tourism should be improved by government and local level. There is need of one international airport, by which it is easier to tourist to arrive in Pokhara directly from other country.
- Pleasure and trekking mountaineering are the main purpose of visit of tourist but we should develop the new sectors to attract the tourist and tourism is the main source of foreign exchange earnings and government revenue. So that the government should start ht new programs like street programs, seminar and advertisements in another country, opening new mountains, increase in air flights and decreasing air flight fare to tourist to bring more tourists into the country as soon as possible. There should be proper security management on trekking route also.
- Hotels in Pokhara are needed to manage properly and they have unhealthy competition. Most of the hotels are located in lakeside area, which should be diversified in other others places.
- Tourists should be provided services like good food, security, quite environment, easy communication, ample recreational activities and the things what they demand etc. which increase the length of stay and expenditure patterns of the tourist. Other attractive tourism spots should be identified & developed.
- Direct flight from Pokhara to India's and other countries main city should be allowed, which contribute in regional and national field of tourism.
- Average stay in Pokhara should be made longer, for this various tourist destination should be developed by building necessary infrastructure in the periphery of Pokhara.
- Further study can be conducted on this topic by increasing sample size, by taking other place in the future.

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## ANNEX-1

### **“IMPACT OF THE GLOBAL ECONOMIC CRISIS ON TOURISM BUSINESS”**

**(A case study of Pokhara, Nepal)**

#### **QUESTIONNAIRE FOR HOTEL OWNERS**

An Appeal: You are kindly requested to fill up this questionnaire and help me for the research work. Information collected will be kept secret and use for the research purpose only.

General information:

1.1 Name of the Hotel/Lodge/Restaurant/Resorts.....

1.2 Location.....

1.3 Status of Hotel/Lodge/Restaurant/Resorts.....

a) Star      B) None Star    C) General

Questionnaire:

1. When did you establish the hotel/lodge/restaurant/resorts? Ans.....

2. Is it the first location of establishment? If no please specify the former location.

a) Yes      b) No      c).....

3. Why did you prefer this location?

a) Attractive place for tourists      b) Forefather place

c).....

4. How many days of tourist stay at your hotel?

a) 1 day      b) 1 to 2 day    c) 2 to 4 days    d) Above 4 days

5. Is the present hotel own building or rented?

a) Own      b) Rented

6. If it is rented how much do you pay per month?

a) Below Rs. 5000    b) Rs. 5,000 to 10,000

- c). Rs. 10,000 to 20,000
- d) Above Rs. 20,000

6. What do you think about the rent?

- a) Expensive
- b) Cheap
- c) Moderate

7. Is your business in profit at present?

- a) Yes
- b) No
- c) Normal

8. What is the daily expenditure of a tourist in your hotel?

- a) Below \$15
- b) \$15 to \$ 25
- c) \$25 to \$ 50

- d) Above \$50

9. What is your opinion about their expenditure?

- a) Too much
- b) Moderate
- c) Little

10. Please mention the problems related with tourism business.

- a).....
- b).....
- c).....
- d).....

❖ Any suggestions for improvement of tourism business?

## ANNEX-2

### COMPUTATION OF KARL-PEARSON'S CO-EFFICIENT

Let, X be the total tourist arrival in Nepal R.F (In'000) for 2004 to 2011

Y be the total tourist arrival in Pokhara R.F. (in '000) for 2004 to 2011

And (r) be the co-relation co-efficient, than

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

Year	X	Y	XY	X <sup>2</sup>	Y <sup>2</sup>
2004	385	88	33880	148225	7744
2005	375	74	27750	140625	5476
2006	384	98	37632	147456	9604
2007	527	165	86955	277729	27225
2008	500	187	93500	250000	34969
2009	510	204	104040	260100	41616
2010	603	231	139293	363609	53361
2011	730	265	193450	532900	70225
Total	4014	1312	716500	2120644	250220

Now, substituting the obtained values from table in above formula

We get,

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

$$r = \frac{8 \times 716500 - 1014 \times 1312}{\sqrt{8 \times 2120644 - (4014)^2} \sqrt{8 \times 250220 - (1312)^2}}$$

By calculating we get the value,

$$r = 0.95$$

Hence, correlation coefficient between total tourist arrival in Nepal

and In Pokhara is 0.95

### ANNEX-3

#### USING LEAST SQUARE METHOD TO FIND TREND VALUES

Fiscal Years	Total foreign exchange Earnings (y) (In Million Rs.)	x	x <sup>2</sup>	xy	Trend Values
2004/2005	10464	1	1	10464	19994.31
2005/2006	9556	2	4	19112	26990.23
2006/2007	10125	3	9	30375	33986.15
2007/2008	18653	4	16	74612	40982.07
2008/2009	27960	5	25	139800	47727.92
2009/2010	28139	6	36	168834	54673.91
2010/2011	24611	7	49	172277	61569.83
Total	$\Sigma y=104897$	$\Sigma x=28$	$\Sigma x^2=140$	$\Sigma xy=615474$	

The trend equation is:  $y=a+bx$

To know the values of a and b we have equations, based on least square principle.

$$\Sigma y=na+b\Sigma x$$

$$\Sigma xy=a\Sigma x+b\Sigma x^2$$

Putting the values of each term. We get.

$$104897=7a+28b.....(1)$$

$$615474=28a+140b.....(2)$$

To solve above equation, multiply equation (1) by 4 and subtracting

Equation (2) from (1). We get,

$$\begin{array}{r}
 419588 = 28a + 112b \\
 615474 = 28a + 140b \\
 \hline
 -195886 = -28b
 \end{array}$$

Therefore,  $b=6995.92$

Putting the value of b in equation (1)

$$104897=7a+28 \times 6995.92$$

Therefore,

$$a=12998.39$$

Then the trend equation becomes

$$y=12998.39+6995.92x$$

Now, Calculating Trend Values.

$$\text{Trend value (2004/2005)}=12998.39+6995.92 \times 1 = 19994.31$$

$$(2005/2006)=12998.39+6995.92 \times 2 = 26990.23$$

Similarly, by calculating, we get the trend values of each year up to 2010/2011

## Annex 4

### USING LEAST SQUARE METHOD

Year (X)	Total tourist arrival in Nepal in 000 (y)	$X=2(X-2007.5)$	$X^2$	$xy$
2004	385	-7	49	-2695
2005	375	-5	25	-1875
2006	384	-3	9	-1152
2007	527	-1	1	-527
2008	500	1	1	500
2009	510	3	9	1530
2010	603	5	25	3015
2011	736	7	49	5342
N=8	EY=4020	Ex=0	Ex <sup>2</sup> =168	Exy=4138

Since  $E_x=0$

So  $a=EY/n=4020/8=502.5$

And  $b=E_{xy}/E_{x^2}=4138/168=24.63$

Trend forecasting for the year 2012

We know  $y=a+bx$

$2012=502.5+24.63 \times 9=724$

Likewise other are also calculated.

Note number of tourist arrivals in pokhara was also calculated using least square method.