

## CHAPTER-ONE

### INTRODUCTION

#### 1.1 Background of the Study

Nepal is a landlocked country located in South Asia with an area of 1,47,181 sq.km. It is one of the small but richest countries in the world in terms of bio-diversity. Possessing 8 of the 10 highest mountains in the world, Nepal is a hotspot destination for trekking and mountaineering. Because of the incredible diversity of natural beauty, geographical diversity, socio-cultural diversity, attractive scenes and sight, historical and artistic heritage, Nepal has a great potentiality to attract tourists from all over the world.

The term 'tourism' was originated from France in 19<sup>th</sup> century. It means to travel. The World Tourism Organization (WTO) defines tourists as people travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes.

Central Department of Tourism and Summer Resorts defines "Tourism" as an activity done by an individual or a group of individuals which leads to a motion from a place to another from a country to another for performing specific task, or it is a visit to a place or several places in the purpose of entertaining which leads to an awareness of other civilizations and cultures also.

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

Tourism is one of the world's most rapidly growing industries. Tourism industry can be a major contributor to socio-economic development in developing countries. It has appeared as a growing sector in terms employment and income generation. Tourism not only promotes economic activities but, it is also an important means of promoting cultural exchange and international co-operation. Tourism can also be the instrument of regional policy aimed at achieving an equitable balance between major industrial areas and the rest of the country. (Bhatia, 2009).

Nepal is a small Himalayan Democratic Republic Country located in between two big economic powers of Asia, China in the North and India in the East, West and South, with open border. Nepal is a least developed, landlocked and geographically disadvantageously placed country. Its location is in the northern margin of South Asia. It has its elongated rectangular shape roughly

with northwest to southeast orientation. The country covers an area of 147,181 square kilometers, which accounts as 0.03 percent of land area of the earth. The absolute location of Nepal lies between 804” to 882” east longitude and 2622” to 3027” north latitude. The country has nearly 800 kilometers length and 160 kilometers breathe in its spatial extension mainly along the south slope of the Himalayas (Upadhyay, 2006).

Nepal’s territory (147,181 sq. km) is double the size of Sri Lanka, 3.5 times greater than Switzerland 6.7times bigger than Israel, on the one hand and 23 times smaller than India and 68 times less than the size of China, on the other hand 1792 Himalayan peaks higher than 550m. It has an asset of about 23 million people, 6,000 rivers and rivulets, 5300 lakes (The Himalayan Times) 5000 species of plants, 175 species of mammals, and 850 species of birds and over 6000 species of butterflies. Nepal’s greatest advantages lay in its diverse ecological zones the terai, hills and mountains. It has four major river systems, Koshi, Gandaki, Karnali, and Mahakali that have been a perennial source of division of nation in to state and economic development from time immemorial (Upadhyay, 2006).

Nepal is considered as a paradise for ornithologist nature’s lovers, hikers, trekker and researchers of various disciplines. The country is recognized for its unique and pristine natural and cultural and cultural diversity with immense heritage sites of aesthetic architecture, historical and social significance with its natural beauty and cultural heritage like Mount Everest (crown of the world) snow Peak Mountains, birth place of Lord Buddha (apostle of peace) and Goddess Sita, a number of lakes and rivers, etc. Nepal is an attractive destination for tourists from all over the world. Numerous interesting natural and cultural sites have attracted tourists of different parts of the world. Nepal has wider prospects in promoting tourism, because it is probably one of the most fascinating and beautiful countries in the world (Upadhyay, 2006).

Development of tourism sector has contributed to increase employment and income generation and to improve the balance of payment of the country. It is important not only from the point of view of earning foreign exchange but it also enhances scope for various industrial braches, like hotels, motels and other types of accommodation, restaurants and other food services amusement and other activities, gift shops and large number of other enterprises such as fruit production and processing etc. Nepal where the possibilities of exporting manufactured goods are limited cannot

ignore tourism's role because of its multifaceted effect such as balance of payments situation diversification of the economy, augmentation of revenues, and generation of employment opportunities directly and indirectly (Upadhyay, 2006)

In Nepal, tourism as an important economic sector was first recognized in 1959. Since then tourism has come of age and plays a pivotal role in Nepal's economy. Tourism is the only industry because of its multiplier effect and capacity to influence all other sector, which can provide true leadership for rest of the industries including export business. There are 122,745 direct employment created by tourism in Nepal. Therefore, Nepal should create a vision of Nepal's development based on tourism development (Upadhyay, 2008).

Nepal started tourism in the first quarter of the 20<sup>th</sup> century in which seven foreign person visited Nepal. Tourism industry couldn't get potential growth immediately after the beginning because of the policy of splendid isolation. Only hundred visitors just visited Nepal till 1933 A.D. After two decades recession, Nepal formally opened the country to the tourists in 1950 A.D. and received a membership from the international tourism institution in 1951 A.D. Thus tourism industry began to grow as major industry. (Bista, 2011).

In 2012, the total number of tourists visiting Nepal reached 803,092. According to the purpose of visit, 379,629 tourist visited Nepal for holiday pleasure, 105,015 for trekking and mountaineering, 24,785 for business, 109,854 for pilgrimage, 30,460 for official, 13,646 for conference, 17,988 for study/research, 30,532 for others and 91,165 for not specified.(MoCTC,2013). Tourism in Nepal is one of the largest industries and the largest source of foreign exchange and revenue and also a major source of generating employment opportunity. Total revenue earnings(US\$'000) in revenue2012 is 356,725.Likewise, Gross foreign exchange earnings in fiscal year 2068/69 in US\$'000 is 359,367.(MOCTC, 2013).Tourism receipts today are also viewed as major contributor in maintaining the balance of payments in developing countries such as Nepal.

In order to expand and promote tourism various program and policies are introduced by Government of Nepal. Tourism council was formed in 1992 A.D. Tourism Act 2035, Tourism Development Board in 2014 B.S., Ministry of Tourism and Civil Aviation, tourism Policy 1996, celebrating year 1998 as "visit Nepal-1998", declaring 2007 as the "destinations Nepal Year", celebrated "Nepal Tourism Year 2011", "visit Lumbini Year 2012" and "Everest Diamond Jubilee 2013" are some of the major efforts made for its expansion and development.

Tourism, being one of the important sectors of Nepalese economy, is necessary for the overall development of the country. Thus it is accepted that tourism plays a vital role in Nepalese economy making other sectors of the economy to perform effectively.

## 1.2 Statement of the Problem

Tourism is one of the potential sectors for the economic development of Nepal. Tourism plays an important role in the economic development of a developing country through diversification of economic activities, the creation of new source of employment and by encouraging the establishment of the indigenous industries .According to the World Tourism Organization, among the World's top 40 tourism earners in 1995 about 18 were developing countries. (Bhatia, 2009).

Government of Nepal has adopted the liberal tourism policy in 1996 with an aim of fulfilling various goals: increasing national product and income, the earning of foreign currency, the employment opportunities, and the reduction of regional disparity and development of the image of Nepal. Objectives of the policy can be found as follows: establishment of tourism as main economic sector, decentralization to the tourism industry, promotion and conservation of natural, cultural, and human environments of the country, improving standard service and security and development to Nepal as an attractive tourist centre. (Bista,2011).

To achieve the targeted objectives, government has adopted various policies: limited government role, encouraging private participation in tourism activities, strengthening the existed tourism infrastructure and facilities, environmental protection program, protection of famous pilgrimage places, promoting adventurous tourism, etc. But there are many hindrances in the path. In spite of tremendous importance and various efforts, Nepal doesn't seem to have been able to attain desired result in tourism development. Due to the lack of qualitative human resources, lack of proper infrastructure and resources, illiteracy, language problem, tourism industry's development extension and sustainability are in critical condition.

The other hindrances faced by tourism are: political instability, conflict problem, inability to develop a sound and proactive strategic tourism plan, environmental pollution, lack of proper co-ordination between institutions providing services to tourists, lack of international airport facilities, plane crash, and lack of fund to implement tourism projects, lack of quality service. Besides having great potentialities of tourism industry, Nepal couldn't progress in tourism development due to above problems.

Based on the aforementioned problems, this study is concerned with the following research questions:

- A) What is the trend of tourist arrivals in Nepal?
- b) What is the role played by tourism in economic development?
- c) What are the prospects and challenges of tourism in Nepal?

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

The general objective of the study will be to explore role of tourism in Nepalese economy and specific objectives of the study are as follows:

- a) To analyze the trend of tourist inflow in Nepal and income generated on tourism in Nepal.
- b) To identify and analyze the challenges and prospects of tourism development in Nepal.

### **1.4 Significance of the Study**

Nepal is recognized as an ideal tourist destination for culture and nature lovers. Diversity in terms of geography, ethnic communities and cultural heritages is the defining characteristic of Nepali society. Tourism development in Nepal is largely dependent upon expanding linkages between nature conservation and tourism. While Nepal's rich natural heritage attracts a large number of nature loving tourists, the country also suits the taste of other types of visitors like the culture lovers, sports persons and adventure seekers as well. Its hospitable people and their rich and colorful socio-cultural heritage are the major attractions of the people from the western parts of the World. Getting the economic impact of tourism in Nepal, the policy maker can make the economic policies based on the impact of tourism in Nepal. It provides guidelines for the development of sustainable tourism to the planners, Ministry of Tourism, Nepal Tourism Board, NGOs/INGOs, District Development Committee and all the organizations related to tourism. It may largely contribute to reduce the poverty in Nepal. Those who are involved on the tourism profession can get benefit from this study. We can get the strength of tourism in Nepalese economy.

Tourism can be regarded as the most potential and feasible sector of Nepalese economy. It has been recognized as one of the most important sectors of national economy. The potential of tourism to contribute to pro-poor growth and hence poverty reduction in any given area clearly needs to be considered in the light of the alternative opportunities available. In many rural areas of the country, there are no viable alternatives other than tourism.

Therefore, tourism should be considered as one of the most important economic development opportunities available to the developing countries like Nepal. This study concerned to analyze

and examine prospects and challenges of tourism on Nepalese economy. This research represents as a whole scenario of tourism in Nepal. It is hoped that this research helps to know the present situation of tourism in Nepal to all who are engaged and curious to know about tourism in Nepal. This study is useful guideline to the policy maker. This study will also be useful for researcher in the related field.

### **1.5 Limitations of the Study**

Following are the limitations of the study:

- 1) This study is based on Secondary data and covers national level only. It is limited to Nepalese tourism and it does not cover other than the tourism area in Nepal. All the information is based on data disseminated by the various government and non-government agencies in Nepal.
- 2) Due to the lack of time, accurate information, this study may not show the various issues of tourism. As an academic study, it is limited to time and resources. It completes in the year 2014 AD only.
- 3) The main focus is on prospects and challenges of tourism, the other aspects like impact, consumption pattern, sociological impact, environmental aspects are not included.

### **1.6. Organization of the Study**

This research report is divided into five chapters. The first chapter introduction deals with the topic with some background information. It also presents the background, statement of the problems, objectives, significance, limitations and organization of the study. The second chapter is the review relevant literature. The third chapter includes methodology of the research and the fourth chapter presents data analysis. Finally, the fifth chapter includes summary, conclusion and recommendations.

## **CHAPTER-TWO**

### **REVIEW OF THE RELATED LITERATURE**

This chapter discusses conceptual framework about problems and prospects of tourism, with the relevant literatures such as books, dissertations, thesis, articles, bulletins and empirical findings.

#### **2.1 Conceptual Background**

National Committee on Tourism, India defined it as, "The new phenomenon of traveling in pursuit of leisure, culture and the quest for knowledge about alien lands con notes the concept of tourism, the growth of tourism is closely related to the ease and speed of travel, economic growth and political development" (Mohanty, 1992: 43). Tourism grew gradually over the years as easier and faster means of travel became available. Mass tourism started in Europe only in late 19th century but today it is a worldwide reality. Today tourism revolution is sweeping the global, a revolution promising much and delivering a great deal. It has emerged as the most lucrative business of the world, having tremendous potentiality for earning foreign exchange, yielding tax revenue, promoting growth of ancillary industries, generating income and employment and in the development of industrially backward region thorough its various linkage effects.

Tourism is one of the major sectors that lead for the development of Nepal. Tourism is one of the major productive sectors in Nepal provided by the various opportunity and natural strength of Nepal. Income, employment and foreign currency earned in tourism can be increased through the proper utilization of the natural resources, existing flora and fauna and the diverse culture and religion. Poverty and unemployment problems can be decreased at the same time. Furthermore, investment in tourism can be increased by the inflow of the foreign currency and capital in Nepal. Thus, tourism is a stimulus package for the development of Nepal.

#### **2.2 Theoretical Review**

The word "Tourism" is originated from the French word "Tourisme". It literally means to travel or travel related jobs. The word was first documented between 1805 and 1815. Tourism is the practice of travelling for pleasure or the business of offering information, accommodations, transportation and other services to tourists.

International Union of Official Travel Organization (IUOTO) purposed the definition of tourist in 1963 and approved in 1968 by the world tourism organization. The definition define tourist, as “ temporary visitors staying at least twenty four hours in the country visited and purpose of whose journey can be classified under one of the following headings:

- ) Leisure (recreation, holiday, health, study, religion and sport
- ) Business (family mission, meeting)”.

ICIMOD (1995), has presented that recent evidence revealed that Nepal’s capacity to realize the full benefits from tourism are below optimum, primary , because of the overall low level of development in the country, including import substitution industries . The scope for enlarging the tourism sector to generate more income and employment is believed to be enormous. The natural beauty of Nepal especially in the northern part of the country that possesses many natural wonders has not been subject to development. Tourism development in these ‘niche’ of natural wonders can generate income and employment to mitigate the rampant poverty of such areas. Proper planning can help link maintain development with tourism development and the scope for providing income and employment in the mountain areas can be greatly enhanced

Bhatia (2009) presented that tourism has been recognized as a source of employment, it is a highly labour intensive industry. Being a service industry, it takes employment opportunities for local population. It helps to reduce economic inequalities. It enables the wealth earned in the part of the country to be transferred in part to another. Bhatia, further explain in his” Tourism Development, principles and practice “ besides economic benefit to a country ,by way of earning foreign exchange and employment generation , tourism also makes a tremendous contribution to the improvement of social and political understanding. Travel in different countries fosters a better rapport between peoples in various stocks. Personal international contacts have always been an important way of spreading ideas about other cultures. Tourism is an important means of promoting cultural exchange and international co-operation. The experiences gained through travel have a profound effect upon the life of the individual as well as open society as a whole. Travel exercises very healthy influence on international understanding and appreciation of other people’s life.



Bhatia has presented that tourism is in real a very complex phenomenon. It is regarded as an important human activity of great significance. In addition to economic significant, it has socio-cultural, educational and political significant as well. As man phenomenon and essentially social natural, tourism can large be viewed as a triangle activity both in the use it makes a time, space and its relationship has the production of goods and services. Tourism has become one of the pivotal concerns of nation and of the international communication.

Hagen's Nepal: The kingdom in the Himalaya (1998) was a product of Hagen's 14,000km trek through Nepal (1950-59). Hagen is critical of Nepal's process of modernization, especially road building. Road building, he argues creates activities but no development. Hardly have roads had a positive effect on local economic productivity, when there have been such effects only a few businessmen, traders, truck owners and landlords have felt them. Instead, he calls for improved foot trails, ropeway/cable cars and suspension bridges which increase the volume of trekking and quality tourism in Nepal. Thus he appears to be concerned about the poor quality of tourism infrastructure.

Burger (1978) has studied "The Economic Impact of Tourism in Nepal". In this study he reminded that tourism in Nepal is of rather recent origin. Before 1950, no foreigners were allowed to visit Nepal without permission of the Rana rulers. After opening the door to tourism, the tourist inflow in Nepal rapidly increased. He indicated that 1,00,000 tourist visited the country in 1976. Since,1962 the number of tourist arrivals has grown at an average rate of 20% per annum and more than 80%of tourist arrived in Nepal in the country by air whereas about 20% tourists arrived by land. The majority of tourists came for pleasure and sightseeing. Finally, the researcher concludes that although tourism is recent phenomena in Nepal but it has grown at an astonishing rate. This study has expressed that Europe was the major tourist generating market for Nepal in 1975 but the United States was the leading single country in terms of number of visitors.

### **2.3 Empirical Review**

Paudyal (1997) has studied on the topic, "Nepal's Tourism in the context of SAARC Region". He has pointed out that there are many factors negatively affecting the tourism development in Nepal e.g. pollution problem, transport bottlenecks, skilled guide and low quality tourist

products. This study suggests that government should implement suitable programmes for the cleaning of Kathmandu, to start a new airline as a joint venture between the private and public sector, to establish some top standard international quality hotels to increase the number of tourist in Nepal.

Shrestha (1998) in her Ph.D. thesis on the topic “Tourism in Nepal, Problems and Prospects” aimed to study contribution of tourism in the Nepalese economy, assess and evaluate the existing tourism marketing and promotional efforts and its impact on tourism development in Nepal. His main findings were that Nepal is extremely rich in tourism products and it exists all over the country. Natural wealth, cultural and monumental heritage, bequeath history are the principal tourism products of Nepal. Nepal poses tremendous diversities to develop it as a major tourist destination from various perspectives. There is a noted dearth of support infrastructure to develop its potentialities. Support infrastructure has not reached in all areas despite efforts to develop necessary infrastructure. At present more than 50% hotel accommodation facilities are concentrated in Kathmandu valley and most of the accommodation facilities outside the valley are in non-star categories. In view of the present status of infrastructure, significant attention has to be paid to avail and improve such facilities in order to develop the existing tourism areas as well as develop potential areas. Nepal has not been able to earn as per the growth of visitors or compared to market potential. Nepal earns one of the lowest per day spending by tourists. Despite it, tourism is a major source of foreign exchange earnings of Nepal and it is playing an important role in the national economy.

She further attempts to assess and evaluate the existing tourism marking, promotional efforts and its impact on tourism development in Nepal. The study has clearly shown the paucity of marketing efforts of Nepal. This study aims to assess tourism market in Nepal and the level of satisfaction of tourist and identify their source of information. In this study, both primary and secondary data are used and econometric model is also used for data analysis purpose. He states that tourism is the biggest and the fastest growing industry in the world. In international tourist market, during the period 1950-1997, tourism receipt grew from US\$ 448265 million. Similarly, in Nepal, earning from tourism, in terms of convertible foreign exchange has increased from US\$ 0.1 million in the fiscal year 1961/62 to US\$ 119.1 million in 1995/96. However Nepal has not been able to earn as per the growth of visitors or compared to market potential. He opines that

the single most importance experience satisfying tourist visiting Nepal is the hospitality, friendliness, humbleness, honest and welcoming attitude of the Nepalese. The second important source of satisfaction for tourists was the natural sites and scenery specially the majestic Himalaya.

She has identified the basic problems of tourism in Nepal. The study also highlighted tourism industry having great prospects in Nepal. The study has observed that average growth rate of tourist arrival in Nepal from 1975 to 1997 is 7.27 per annum. She concluded that the correlation between tourists arrival and foreign exchange earning in terms of US\$ shows the importance of tourist arrivals for the economy. Being labour-intensive service industry, tourism sector has high potentials for generating employment and it is a multi-sectoral industry. It has also been helping other sectors of the economy such as agriculture, handicrafts industry and other allied industries. The performance of tourism from economic perspective was also far from satisfactory. The tourism earning did not rise in terms of US dollars because of low per capita tourist expenditure. Nepal considered as one of the lowest per capita per day spending outlet came to be known as cheap tourist destination. Through this study she has reached to the conclusion that despite the problems, prospects of tourism are bright in generating employment, contributing to the exchequer and also for overall development of Nepalese economy.

Kunwar (2002) signifies to the cultural village tourism and research methodology in the case study of Sauraha, Chitwan. The study based on the Tharu's culture of Nepal finds that the guest and host relationship makes balance through the cultural village tourism. The cultural values might be exchanged of the destination area by cultural tourism. Emphasizing cultural and others tourism activities go forward side by side which enriches tourism industries in Nepal. Now cultural tourism is acceptable for both host and guest. This is also model of village tourism of Tharu culture which provides mote ideas to the village tourism of this study area.

Panta (2002) states tourism has been identified as an industry with strong competitive advantage and this also has been listed as the second important thrust area in the perspective vision of the ninth plan. He identifies a special attention to be given in the development of the infrastructure and the product, standardization of the industry, developing infrastructure for self-regulation, strong monitoring and supervision, promotion at the originating markets, maintenance and upkeep of product and resources, preservation of the ecology and taking preventing measures,

upgrading the quality of service etc.

Gurung(2003) presents that tourism has been providing varieties of opportunity and for employment to the local people. Likewise, it has helped to develop the infrastructure, preserve the local culture, and encourage the environmental awareness in the local area. However, there are not only positive changes but also exist negative changes at the same time. He recommends that the harsh geographical nature and less opportunity of the development infrastructure in the local area it is hard to establish large scale industries. Consequently, both skilled and non-skilled local people may be deprived of job opportunities. In such situation, tourism can be only strong alternative to uplift the socio-economic condition. For this, essential infrastructure related to the tourism should be prepared, natural beauties as well as cultural heritages should be preserved.

Upadhyaya (2003) in his Ph.D. dissertation entitled “Tourism as a leading sector in Economic Development of Nepal” has opined that many countries have made various attempts to promote tourism industry as a means of economic progress. The economy of Nepal lacks in terms of industrialization, some further alternative is to be found which can induce the process of industrialization to put the path of rapid economic development, to study the scope for global linkage of the Nepalese economy with special reference to tourism. He has suggested that tourism sector has the potential to link the backward Nepalese economy with the forward economics and to induce the other sector of the economy.

Subedi (2006) concludes that a total number of 375398 tourists visited Nepal during 2005 showing a decrease of 2.6 percent, adventure tourist posted the highest average length of stay in the country. The average length of stay was recorded as 9.09 days. Visitors entering by air constituted 73.88 percent whereas 26.12 percent entered Nepal by land in the same year. Similarly, male visitors comprised 68.72 percent while female visitors accounted for 31.28 percent and age group recorded the highest share by 31 to 45 year 30.40 percent followed by the 46 to 60 years 28.26 percent. In his study he finds that the share of male tourist is always dominated in Nepal. He suggests under the new democratic set up, government has to declare for the sustainable development of the country providing solace to the people. Plans and programs are to be implemented effectively rather than limiting in speeches and papers. Proper attention to tourism is necessary for the economic prosperity of the country.

Upadhyaya (2006) explained that tourism as a Leading Sector in Economic Development of Nepal and has opined that many countries have made various attempts to promote tourism industry as a means of economic program. He has given the due suggestions to develop the tourism industry in Nepal. He has advised that tourism sector has the potential to link the backward Nepalese economy with the forward economies and to induce the other sector of the economy. The main objectives of this study are to analyze the role and impact of tourism and to study the scope for globe linkage of the Nepalese economy with special reference to tourism. This study also aims to find the induce factors which can help to pave the process of industrialization to put the economy on the path of rapid economic development. He concludes that the direct impact of tourism as earning foreign exchange has been improving. But if it is analyzed with respect to merchandise trade, overall foreign exchange earnings in the economy, it is found that the role of tourism sector has been shrinking. Even the ratio of foreign exchange earnings of tourism and GDP has not been increasing in the last few years. These trends are particularly observed since the decade of 1990s when the overall foreign trade of Nepal has increased rapidly due to the opening up of the economy. Foreign participation in the tourism industry remains confined to mainly hotels, resorts and restaurants. Foreign investors have not been encouraged to participate in new areas of activities related to tourism in Nepal.

Pokharel (2007) has highlighted that tourism can be really a socio-economic force and a leading sector because there is good backward and forward economic linkages. This study aims to analyze the trend of tourist arrival and its role in economic development of Nepal. Regression analysis, t-statistics, F-statistics are used as model for analytical purpose. There are many avenues of investment and employment creation. His analysis depicts that the tourist arrival shows the most of the tourist prefer by air to come Nepal and least number of tourist come Nepal by land. In 2005, 74 percent out of total tourist arrived by air and only 26 percent tourist arrived by land which was 77 percent and 23 percent respectively in 2004. Average length of stay of tourist is fluctuating year by year because of various socio-political and development factors. A range of average length of stay varies from 7.92 to 13.51 days. In 2005, average length of stay of tourist was 9.09 days which was 13.51 in 2004. Analysis of continent-wise tourist arrival in Nepal shows that Asian tourist contain more in the various year which is followed by Western Europe, North American, Eastern Europe, Central and South America and Africa, sex and age wise analysis of tourist arrival in Nepal shows that the male outnumbering female and most of

the tourist belong within 31-45 years of age. He recommends that Nepal should extend the range high value Nepalese tourist products, extend the stay of sight-seeing visitors and increase the opportunities for tourist to spend on. The government has to give top priorities and local government has to make clear vision for tourism development and mobilization of their resources.

Ghimire (2008) has found the problems and prospects of rural tourism and around the study area. She used the both explorative and descriptive research designs and also has used the qualitative and quantitative technique depending on the nature and source of data and other information. She has adopted stratified random sampling technique. To involve in tourism industry, tourism policy making of implementation with special focus on rural tourism have been interview through checklist method. She concluded that in the scenario of low productivity in an agriculture sector. Tourism can be a high productive sector to compensate the unemployment and disguised unemployment prevailing in the country. It has comparative advantages than other industries such as it has low opportunity cost, it takes low gestation period to give returns. It can involve the lower strata of the people of all ecological zones, involves women and ethnic groups and bears direct relation to all dimensions of life like culture, environment, nature, behavior of people. Tourism also has a very significant contribution to GDP, foreign exchange earnings, government revenue, employment and its indirect and induced effects it fulfills basic requisites of development such as it adjusts with decentralization and good governance, open base for greater role of women as partners for development and space for gender equity. In this basis, tourism can be a leading sector and socio-economic force in the economy of Nepal.

She has recommended that the rural tourism with the rest of the economy. It is expected to create various types of production opportunities, income and employment generation.

Undoubtedly, tourism has brought immense positive effects to change the economic status of the people, help to develop many rural areas in terms of socio-economic perspective. Still, there is urgent need to think of negative consequences and design the measures to minimize its magnitude.

Upadhyay (2008) entitled “A Study of Rural Tourism in Nepal Measures to Minimize the Negative Impact” has found that tourism products of Nepal are in rural areas and tourism

development in such areas can prove to be an effective vehicle for sustainable economic growth in this sector. It is also need of the time to make a very conscious efforts rural sector of the country. Besides, it is the right of people to promote their life standard through the optimum utilization of the resources, as most of the resources need special proactive planning and some intervention from local government bodies and from national level also. Community based tourism can be effective in many cases where is a need for creating effective ownership feelings for tourism resources. To gauge the magnitude of negative impact and help take further corrective measures, sets of indicators have been suggested. He suggested the following measures for sustainable rural tourism development of the country and to correct many problems facing the tourism sector:

- ) Analyze the present tourism carrying capacity and set targets for number of tourists Nepal want to bring in a given period of time.
- ) Find out the products that can be fit for the targeted number of tourists Nepal want to bring in a given period of time.
- ) Identify the necessary infrastructure in the prioritized area of tourism products. If the prioritize products cannot be supplied with necessary infrastructure, what is the use of selecting it. Therefore, care should be given to prioritize only those tourism attractions which have market potentiality and possibility of having necessary infrastructure development.
- ) Make investment in the prioritized area to develop tourism products in a participatory approach.
- ) The travel trade intermediaries of the country should be incorporated from the beginning of the process.
- ) Marketing and promotion of the tourism product must go continuously. An effective link with travel trade sector and Nepal Tourism Board can be effective for tourism promotion and marketing.
- ) It is necessary to continuously boost up the destination image in a market. Negative environmental, socio-cultural and economic damage calls for serious problems.
- ) The implementation of different sets of indicators to judge the negative impact is very important.

- ) Awareness can play very effective role to maintain environmental impact and reduce other negative consequences of tourism. The involvement of local school, NGOs, INGOs can prove very effective in this context.
- ) A periodic survey of visitors is very necessary to know their satisfaction level and expenditure pattern, which help decision makers to work accordingly.
- ) An effective measure to encourage the use of local resources must be designed to increase the backward linkages of tourist expenditure and other expenditure in local areas.
- ) A continuous trust on domestic tourism promotion should be made. Various kinds of awareness program for domestic tourism promotion must be designed to bring a change in the habit of general people also. Many a Nepalese people cannot afford for foreign trips and for pilgrimage India, but places of own country is left neglected. In this regard, visits to different by high political personalities, celebrities, bureaucrats and other influencing personalities can be managed to create importance of a particular destination and to make influence on the life of people so as to make frequent visits to different places a part of life.
- ) Provision of travel annually /biannually can be made an essential part of facilities given to government and private sector employees. The incorporation of travel for certain days annually helps employees to get free from work tension and create higher productivity. Moreover, such kind of travel in rural areas can create additional demand for the goods and services of the particular rural areas, creating additional jobs and income for the rural people.
- ) A better connectivity to Western Europe and the North Americas is essential for development of rural tourism products as the niche markets of rural tourism is growing in those parts of the globe.

Phulara (2009) has dealt about the problems and prospects of religious tourism in Khaptad regions. By using primary and secondary data he found the various problems and prospects of religious tourism in an around the study area. He concluded that tourism especially various forms of social and indigenous nature can play a key role in keeping the potential intact reducing the income leakage and increasing the network linkages. Environmentally, viable and socially responsible tourism can't be fostered without research based appraisal of tourist resources. Mid-



western and far-western part of Nepal have immense potentiality to mitigate these issues and develop tourism in a sustainable way; Khaptad national park area which covers four districts of far western Nepal is in infancy of tourism should immediately. Focus their attention to explore the immense tourist resources of this area and carryout effort in solving the conflicts among the local along with decentralizing the tourism development of the country. He recommended that, different sites and structure of religious-cultural importance like Sahashara Linga, Tribeni, Ganesh temple, Nagdhunga, Saileswari in Khaptad regions are in ruinous condition due to absence of protection and renovation. Therefore, concerned authorities should pay their attention these issues immediately and renovate them. As the cultural identity may crumble under the pressure of modernization, which can subsequently erode the religious values in this area, sufficient public awareness should be made in order to make the local of their cultural and religious assets.

Joshi (2010) has dealt about the problems and prospects of tourism in and around the study areas. She adopted the methodology based on interview, observation, questionnaire and checklist. The study had under taken the structured, semi-structured and unstructured interview to explore the information on problems and prospects of tourism and its impact on both local and national economy. The prospects of tourism in Kanchanpur like scenic attraction pleasant climate, vegetation, flora and fauna and socio-cultural heritage including suklaphata wildlife reserve, Jhimila lake, Bedkote lake and suspension bridge. Therefore, she concluded that kanchanpur a land comprising just 6,480 tourists came in each year. Among them, 24 of total tourists were of pleasure group 6/10 was both for adventure and project. Similarly 3 were for culture and 5 to gain for health. She also examined that 45.83 percent visiting in Kanchanpur spends less than US \$ 10 on lodging and 52.08 percent spends less than US\$ 10 on fooding and on an average, tourists spend US\$ 5.5 on purchase of local items and other activities. She concluded that tourism in Kanchanpur is not recognized as a major source of employment. Because of the lack of advertising and publicity it can't be fully developed. With the expansion and development of tourist destination the average length of tourist stay will increases. It will definitely help to lead the economic growth of the nation or the state.

According to Edmend Picard, Professor of economics at University of Brussels, "The function of tourism is to import currency from foreign resources into the country. Its impact is what tourist expenditure can do to the different sector of the economy in particular the hotelkeepers."

Pokharel (2011) has presented that tourism is rapidly growing in Nepal which can be the largest economic industry for the intake of foreign currency of proper infrastructure development is maintained and security is guaranteed. Our country is still unknown to the several parts of the world as a sovereign country having natural panoramic scenario including the highest peak in the world and decentered cultural inhabitants with dozens of cultural important places containing ten world heritage sites. So, several modern advertisement mechanisms and publicity should be used in practice to make known to all inhabitants of the world about the beauty of the nation. By the impact of tourism, now there is danger of transformation of our own culture into western one which should be checked to keep alive to our originality and the means of attraction of tourists.

## **2.4 Tourism Policies**

### **a) Tourism Policy 2065**

Government of Nepal has rolled out new Tourism Policy 2065, which intends to reinforce Nepal as an attractive, beautiful, and safe destination in the international tourism map. The policy aims at increasing employment opportunity for livelihood; increasing productivity and living standard of general public; and increasing economic growth along with contribution to the revenues, by augmenting the magnitude of tourism activities and enterprises of tourism sector such as airlines, hotels, travel and tours. The policy emphasizes on domestic, village, sports, education, agro, and health tourism.

### **Objectives of the Tourism Policy 2065**

- i. To develop the Nepal as attractive and main destination as tourism view searching, conservation, participation and developing the questing and abstract, natural, cultural, biological, and manmade heritage of Nepal;
- ii. To develop, widen and preservation of tourism sector through secures definite and regular airlines and land transportation service;
- iii. To develop, hotel and tourism sports and environment creating promote of international investors in Nepalese tourism sector.

To achieve the above stated objectives, explicit policies were set:

iv. Rural tourism will be promoted as a sub-sector of tourism business. The right structure will be made the excluding society in nation building like women, Madheshi, aborigines will get bonus through inclusive and co-operative system.

v. Internal tourism will be promoted as a sub-sector of tourism business.

vi. Air service will make secure regular and fix which played a great role for the development of infrastructure of tourism sector.

vii. The sector of environmental conservation will be given priority and implementation will be made effective for development, construct and mobilization of tourism development.

viii. A high-level tourism council and tourism development inter-ministry and it are under sector for the effective implementation of tourism policy.

ix. Private sector will be promoted as facilitator, mobilize and co-coordinator for development and spreading of tourism services and goods and government for infrastructural development.

## **b) Tourism Vision 2020**

Tourism Vision 2020, the vision 2020 complements the national endeavor of economic reform and incorporates a spirit of inclusiveness for a broad-based enabling focused change in tourism sector. In the context of growing expectation of the people, government intends to develop tourism aiming two million annual arrivals by 2020 adhering people-centered approach admits the global challenges of climate change, economic disparity, and unstable energy price.

The main goals of vision 2020 is to increase annual international tourist arrivals to Nepal to two million and augment economic opportunities and increase employment in tourism sector to one million.

## **Objectives of the Tourism Vision 2020**

- i. To expand and extend tourism products and services in new and potential areas of Nepal by enhancing community capacity to participate in tourism activities;
- ii. To publicize, promote and enhance the image of Nepal in international tourism source markets.
- iii. To enhance the flight safely and aviation security, extend air connectivity and improve capacity and facilities of national and international airports;
- iv. To attract new investment in creating new tourism facilities, products and services.

To complete these objectives following intermediate and long-term actions are adopted.

- i. Nepal Tourism Year 2011 shall be observed with active involvement of people and participation from public and private sector;
- ii. Enhancing air connectivity is urging international airlines including budget carries to operate flights to Nepal.

#### **The long Term Actions of Tourism Vision 2020**

- i. Infrastructure development in tourism including construction of second international airport and developing airports in Nijgadh, Pokhara, and Bhairahawa into regional international airports.
- ii. Development and promotion of home-stay and community based tourism products and domestic tourism actives.

While reviewing the literature, the both prospects and problem of the tourism in Nepal is wide. Tourism Industry is a major source of income generation, generating foreign currency, employment generation and could be helpful as a great solution of threatening problem of poverty, unemployment and migration. I Most of the researchers are found to be done impact of tourism, its contribution in economy and focus on prospects and challenges are rarely found. This study is focused on prospects and challenges and the tourist inflow in Nepal and income generated through them.

## **CHAPTER – THREE**

### **RESEARCH METHODOLOGY**

This chapter deals with the whole research methodology of the study. The study used various tools as the methodologies. Hence, the primary purpose of this chapter is to discuss and design the framework for the research. It also includes the selection of the study area, nature and sources of the data, procedures and techniques of the data processing.

#### **3.1 Selection of the Study Area**

Tourism in Nepal is the subject matter of the study and the whole country is the study area for this research. The reason for this choice is due to the importance of tourism in Nepal as Nepal is attractive in the eye of tourist in the world and an impact of it comes to the point of the suitability for tourism industry.

#### **3.2 Research Design**

This study is descriptive in nature and analyses the secondary data. Thus the analytical analysis is made to present the phenomenon shown by the issues or subjects under study. Thus the data based on time series this study recognizes, regroups and presents in meaningful order as tabulation and graphical presentation is made to make the information easily understandable and clearly visible.

#### **3.3 Nature and Sources of Data**

This study uses secondary data collection. The nature of data required, their sources and methods of collecting data are briefly discussed below-

- ) Monthly and Annual publications of Nepal Tourism Board.
- ) Reports of Nepal Tourism statistics.
- ) Reports of Ministry of Tourism and Civil Aviation.
- ) Research Reports, articles, journals and websites

### **3.4 Method of Data Analysis and Processing**

Both quantitative and qualitative data are analyzed through table and graph. The quantitative data are presented and displayed in different types of tables and figure. It is transferred, processed and tabulated into excel file. The counting is done with the help of this software or where necessary by hand. Simple quantitative techniques such as calculation of percentage, ratio, pie chart, bar diagram or line graph etc. are used to present the data calculated. Regarding the qualitative data, information will be collected through interviews and observation in the study systematically and logically.

## CHAPTER FOUR

### ANALYSIS OF THE STUDY

This chapter explains the analysis of the secondary data and observation. After the completion of data collection, analysis has been preceded according to the objectives of the study. Then a master copy is formulated and serialized and finally obtained data are analyzed and interpreted.

#### 4.1 Status of Tourist Inflow in Nepal

##### a) Tourism Status in the Pre-Liberalization Period

Tourism in the pre-liberalisation period shows the preliminary phases of tourism in Nepal and shows the figure of 6179 tourist arrival in the early seventies and increases to 180,989 in the mid nineties in the 20<sup>th</sup> century. The growth is positive in the most of the year. The tourist arrival in the pre-liberalization period in Nepal has been presented below:

Table No- 1: Tourist Arrival And Average Length Of Stay In Pre-liberalization Period

Year	Total		By Air		Land		Average Length of Stay
	Number	Annual Growth Rate (%)	Number	Percent	Number	Percent	
1962	6,179	0.0	-	-	-	-	-
1963	7,275	17.7	-	-	-	-	-
1964	9,526	30.9	8,435	88.5	1,091	11.5	-
1965	9,388	-1.4	8,303	88.4	1,085	11.6	-
1966	12,567	33.9	11,206	89.2	1,361	10.8	-
1967	18,093	44.0	15,064	83.3	3,029	16.7	-
1968	24,209	33.8	19,717	81.4	4,492	18.6	-
1969	34,901	44.2	28,130	80.6	6,771	19.4	-

1970	45,970	31.7	36,508	79.4	9,462	10.6	-
1971	49,914	8.6	40,369	80.9	9,545	19.1	-
1972	52,930	6.0	42,484	80.3	10,446	19.7	-
1973	68,047	28.6	55,791	82.0	12,256	18.0	-
1974	89,838	32.0	74,170	82.6	15,668	17.4	13.20
1975	92,440	2.9	78,995	85.5	13,445	14.5	13.05
1976	105,108	13.7	90,498	86.1	14,610	13.9	12.41
1977	129,329	23.0	110,180	85.2	19,149	14.8	11.60
1978	156,123	20.7	130,034	83.3	26,089	16.7	11.84
1979	162,276	3.9	137,865	85.0	24,411	15.0	12.02
1980	162,897	0.4	139,387	85.6	23,510	14.4	11.18
1981	161,669	-0.8	142,084	87.9	19,585	12.1	10.49
1982	175,448	8.5	153,509	87.5	21,939	12.5	13.33
1983	179,405	2.3	152,470	85.0	26,935	15.0	11.53
1984	176,634	-1.5	149,920	84.9	26,714	15.1	10.55
1985	180,989	2.5	151,870	83.9	29,119	16.1	11.30

Source: MoTCA, 2012

#### **b) Tourism status in the liberalization period**

The tourism statistics liberalisation after has shown that the inflow tourist has been increased about to four times from the starting of the liberalisation in the mid nineties to the current study period. The inflow of the tourist has been negatively influenced by the politics and environment of the county whereas the normal year has the positive growth in the arrival. The days of stay of the tourist ranges from 8 to 14 throughout the history of the tourism in Nepal. The details figure has been presented in the table below-



Table No- 2: Tourist Arrival And Average Length of Stay In The Liberalisation Period

Year	Total		By Air		Land		Average Length of Stay
	Number	Annual Growth Rate (%)	Number	Percent	Number	Percent	
1986	223,331	23.4	182,745	81.8	40,586	18.2	11.16
1987	248,080	11.1	205,611	82.9	42,469	17.1	11.98
1988	265,943	7.2	234,945	88.3	30,998	11.7	12.00
1989	239,945	-9.8	207,907	86.6	32,038	13.4	12.00
1990	254,885	6.2	226,421	88.8	28,464	11.2	12.00
1991	292,995	15.0	267,932	91.4	25,063	8.6	9.25
1992	334,353	14.1	300,496	89.9	33,857	10.1	10.14
1993	293,567	-12.2	254,140	86.6	39,427	13.4	11.94
1994	326,531	11.2	289,381	88.6	37,150	11.4	10.00
1995	363,395	11.3	325,035	89.4	38,360	10.6	11.27
1996	393,613	8.3	343,246	87.2	50,367	12.8	13.50
1997	421,857	7.2	371,145	88.0	50,712	12.0	10.49
1998	663,684	9.9	398,008	85.8	65,676	14.2	10.76
1999	491,504	6.0	421,243	85.7	70,261	14.3	12.28
2000	463,646	-5.7	376,914	81.3	86,732	18.7	11.88
2001	361,237	-22.1	299,514	82.9	61,723	17.1	11.93
2002	275,468	-23.7	218,660	79.4	56,808	20.6	7.92
2003	338,132	22.7	275,438	81.5	62,694	18.5	9.60
2004	385,297	13.9	297,335	77.2	87,962	22.8	13.51

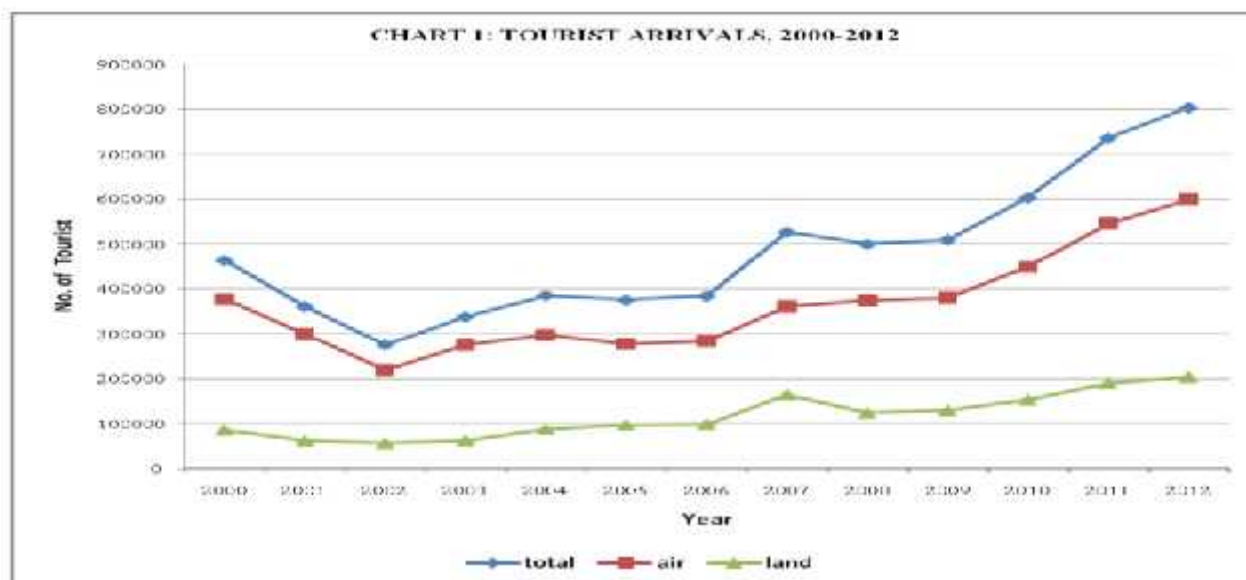
2005	375,398	-2.6	277,346	73.9	98,052	26.1	9.09
2006	383,926	2.3	283,819	73.9	100,107	26.1	10.20
2007	526,705	37.2	360,713	68.5	165,992	31.5	11.96
2008	500,277	-5.0	374,661	74.9	125,616	25.1	11.78
2009	509,956	1.9	379,322	74.4	130,634	25.6	11.32
2010	602,867	18.2	448,800	74.4	154,067	25.6	12.67
2011	736,215	22.1	545,221	74.1	190,994	25.9	13.12
2012	803,092	9.1	598,258	74.5	204,834	25.5	12.16

Source: MoTCA, 2012

### c) Trends of Tourism in 21<sup>st</sup> Century in Nepal

The graph 1 presents the annual growth line of the tourism inflow in Nepal. Initially, the growth decreases and gradually increases from 2002 but the growth is slightly higher in the later phase. The inflow of tourist from air services always exceeds of those who arrive from the land. As the growth appears the gap between air and land arrival increases in the current phase of the study period.

Graph 1: Tourist Arrival in the 21<sup>st</sup> Century in Nepal



Source: MoTCA, 2012

Analyzing the number of tourists visited Nepal, their growth rates and the length of stay, the number of tourists visiting Nepal during the period (January 2011 to January 2012) has increased by 22.1 percent. The number of tourists increased from 602,867 to 736,215 tourists as compared to its figure during the period between January 2010 and January 2011. The average length of stay per tourist during the review period (2011-12) has been 13.12 days against the figure of 12.67 days during the succeeding review period (2010/11). Similarly, of the total number of tourists visiting Nepal between the periods of January 2011 and January 2012, 53.7 percent came for tours and travels, 11.7 percent for trekking and mountaineering, 8.7 percent on religious trip, 4.1 percent for recreation 2.4 percent for trade and business, 3.3 percent on official visits, 1.5 percent for meetings/seminars, 0.3 percent for rafting, 4.1 percent with other purposes and 9.5 percent with unspecified purposes. Among the five countries with largest number of tourists arrivals during this period, 20 percent were from India, 8.4 percent from China, 8.1 percent from Sri Lanka (including tourists on a one-day visit to Lumbini), 5.7 percent from USA, and 5 percent from United Kingdom. For the same period in the previous fiscal year, 20.1 percent tourists came from India, 7.7 percent from China, 7.6 percent (including tourists on a one-day visit to Lumbini) from Sri Lanka, 6 percent from USA, and 5.8 percent from UK.

(Source: Economic Survey, 2012/13).

#### **4.2 Current Tourism Industrial Statistics**

Tourism is one of the major industry in Nepal. The contribution of tourism in recent trend shows the growing significant contribution in Nepal. The tourism contribution as the employment in the tourism industry in Nepal contributes about to 20 percentages in the FY 2011/12. The increase in the number of tourism industry shows the positive changes in the tourism industry. The foreign investment in tourism industry out of the total foreign investment is about to the 12 percentage. The number of industry in tourism sector is about to 27 percentages out of the total industry in Nepal. The employment generation in the tourism industry is 1668 in FY 2012/13. The total fixed capital imported in tourism is about to 17 percentages.

Table No-3: Tourism Industrial Statistics (IN 10 Millions)

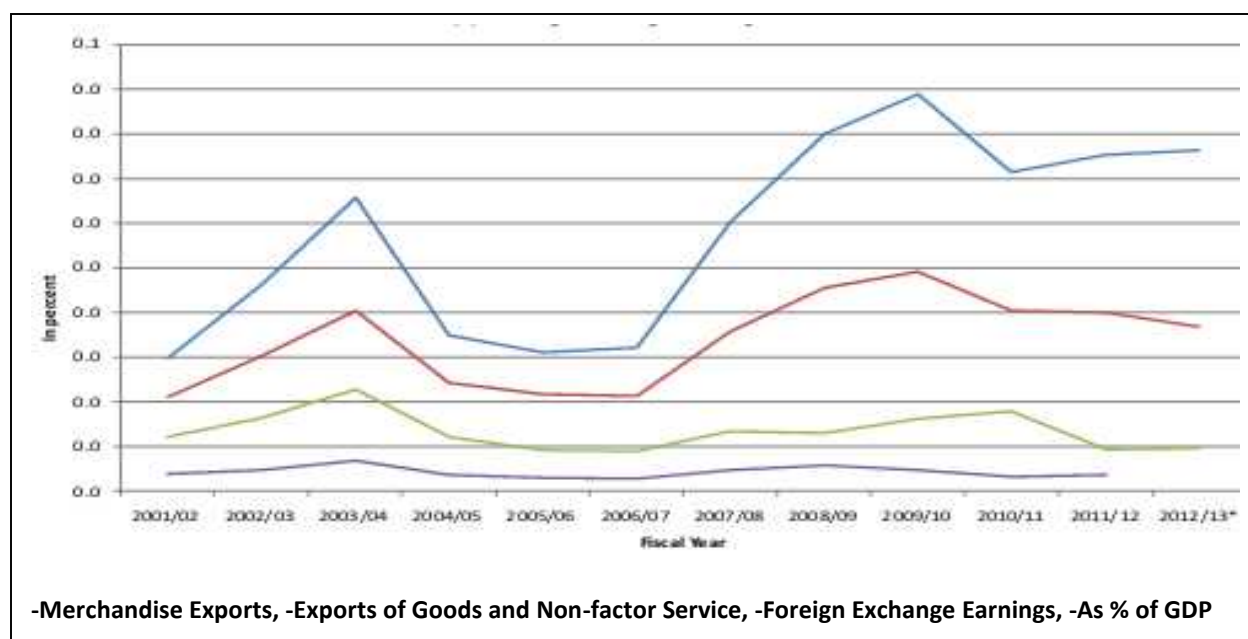
<b>Types of Industry</b>	<b>Nos.</b>	<b>Total Project Cost</b>	<b>Total Fixed Capital</b>	<b>Foreign Investment</b>	<b>Number of Employment Generated</b>
Industrial Production	48	703.27	596.83	213.99	3499
Service Industry	43	237.71	88.57	113.44	1762
Tourism Industry	44	129.04	115.38	95.68	1668
Energy	8	759.22	716.14	266.99	434
Agro-based Industry	24	39.26	39.26	37.76	816
Mining	9	43.57	72.00	67.25	781
Construction	10	309.30	82.20	275.60	545
<b>Total</b>	<b>186</b>	<b>2221.37</b>	<b>1710.38</b>	<b>1070.71</b>	<b>9505</b>

Source: Economic survey, 2012/13

#### 4.3 Foreign Exchange Earnings in Tourism

There is intermittent change in the foreign currency earnings in the tourism industry in the period between 2001/02 to 2011/12. Foreign exchange earnings during FY 2010/11 grew by Rs. 494 million reaching Rs. 28.63 billion as compared to its previous fiscal year. In the first eight months of the current FY 2011/12, foreign exchange amounting Rs 24.61 billion was earned. This amount is 45.5 percent of foreign exchange earned from the total commodity exports, 23 percent of foreign exchange earned from the total service exports and 5 percent of the total foreign exchange earned during the period.

Graph No-2: Foreign Exchange Earnings in Tourism



Source: Nepal Rastra Bank, 2013

#### 4.4 Tourism Structure Statistics in FY 2012/13

The latest tourism condition can be explained by the number of tourist arrived in Nepal, their per day expenditures, the length of the stay in Nepal, GDP contribution and other influences.

Table No-4: Tourism Structure Statistics in FY 2012/13

Description	As of January 2012	As of January 2013*
Tourist Arrival	736,234	803,092
Tourist's Length of Stay (In days)	13.12	12.87
Earnings from Tourism (In 10 million Rs.)	2,461.10	3,070.28
Earning Per Tourist (Rs.)	33,429	38,230
Per Tourist Per Day Expenses (Rs.)	2,548	2,970
Average Exchange Rate Per US Dollar (Rs.)	78	85.05
Per Tourist per Day Expenses (In US Dollar)	32.67	34.93

GDP (In 10 Million Rs.)	153,600	170,119
Contribution to GDP (In %)	1.6	1.8
Direct Employment (In Thousand)	110	160
Inflow of Regular International Flights (In No.)	27	26

Source: Ministry of Culture, Tourism and Civil Aviation, NRB, CBS, 2013

\* Preliminary Estimates

#### **4.5 Tourist arrival by Month in Nepal**

The main tourist inflows in the country have two different seasons. The first season lies in March and April and the second lies in September and October. However, the both season are not as significant as the demand and opportunity of the country. January, May and June are the least favorable months to inflow the tourists and the others are at moderate level. According to the data presented below in the table 5, reveals the percentage change in the tourist arrival on the both air and total from 2009 to 2010 is about to 18. The provisional reports states about to the 0.6 million tourist arrival in 2010 which contains the 75 percentages of the total tourists visit Nepal from the air route. The percentage changes in the tourist arrival from 2009 to 2010 are positive in all months by the both air arrival as well as the total.

Table No- 5: Tourist arrival by Month in Nepal

Month	Year		% Change
	2009	2010*	
January	29,278	33,563	14.6
February	40,617	49,315	21.4
March	49,567	63,051	27.2
April	43,337	45,465	4.9
May	30,037	32,535	8.3
June	31,749	33,266	4.8
July	30,432	33,998	28.1
August	44,174	54,605	23.6
September	42,771	54,857	28.3
October	72,322	79,186	9.2
November	54,423	67,587	24.2
December	41,049	50,427	22.8
Total	509,956	602,855	18.2

\*Provisional

Year	2009	2010	% change
January	21,944	26,071	18.8
February	25,151	33,492	33.0
March	33,005	44,431	34.6
April	37,819	38,694	2.3
May	25,129	26,634	6.0
June	23,222	26,997	16.3
July	23,255	29,338	26.1
August	27,675	34,415	24.3
September	34,251	41,331	20.6
October	56,009	52,712	12.0
November	39,754	48,331	21.5
December	31,395	36,323	15.7
Total	378,712	418,769	18.5

Source:MOCTC, 2012

#### 4.6 Income of Tourism in Nepal

The gross foreign exchange earnings from the tourism have intermittent up and down. The gross foreign exchange earning has increased in the post democracy movement-II than the initial increase in the 21<sup>st</sup> century.

Table No-6: Gross Foreign Exchange Earning from Tourism

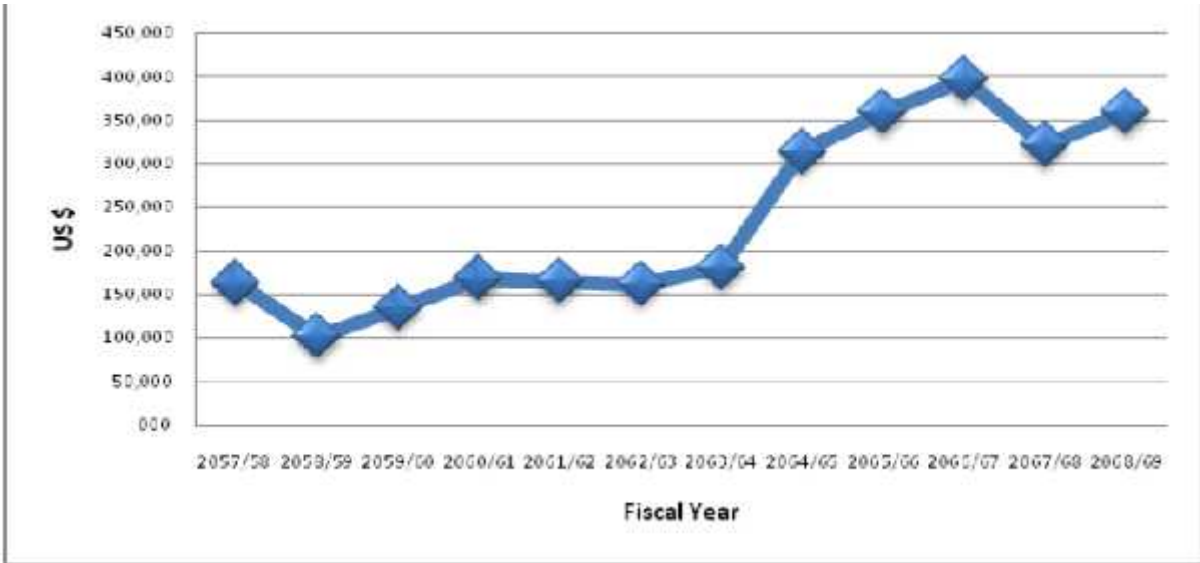
Year	Total Earning		% Change in US\$	Average Income per capita in US\$	Average Income Per Visitor per day in US\$
	US\$ ('000)	Rs. ('000)			
2000	166,847	11,827,403	-0.7	453.7	38.2
2001	140,276	10,468,205	-15.9	472.4	39.6
2002	106,822	8,300,553	-23.8	512.0	61.8
2003	182,832	14,508,396	80.5	765.9	79.1
2004	179,941	13,146,534	-6.7	609.8	45.1
2005	148,441	10,600,345	-17.5	532.0	58.5

2006	162,790	11,784,644	9.7	561.0	55.0
2007	230,617	15,185,071	41.7	535.0	45.0
2008	351,968	24,802,195	52.6	860.3	73.0
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
2012	356,725	30,500,020	-3.3	432.7	35.6

Source: Foreign Exchange Management, Nepal Rastra Bank

Note: 1 US\$ = 85.5 NRs. in 2012 A. D.

Graph No 3: Gross Foreign Exchange Earning from Tourism



**4.7 Contribution of Tourism in the GDP**

The contribution of the tourism ranges from 1.4 percentage to 3.4 percentage in the total national income in Nepal. The foreign currency income of tourism in the total foreign exchange earning consists ranges from 3.6 percent to the 8 percent in the study period of the 21<sup>st</sup> century.



Table No-7: Contribution of Tourism in the GDP

Year	Total Foreign Exchange Earning from Tourism (Rs. in million)	As % of Total Value of Merchandise Exports	As % of Total Value of Exports of Goods & Non Factor Services	As % of Total Foreign Exchange Earnings	As % of GDP
2000/01	11,717.0	16.8	11.8	5.7	2.7
2001/02	8,654.3	14.9	10.6	4.8	1.9
2002/03	11,747.7	23.1	15.2	6.1	2.4
2003/04	18,147.4	32.9	20.3	8.0	3.4
2004/05	10,464.0	17.5	12.2	4.7	1.8
2005/06	9,556.0	15.5	10.9	3.6	1.5
2006/07	10,125.0	16.5	10.8	3.7	1.4
2007/08	18,653.0	30.1	17.9	5.5	2.3
2008/09	27,960.0	40.0	22.8	6.5	2.8
2009/10	28,139.0	44.5	24.6	8.1	2.4
2010/11	24,611.0	35.8	20.2	5.1	1.8
2011/12	30,703.8	37.7	20.0	4.8	2.0

Note: \*Date Based on New Format, Source: Nepal Rastra Bank,2013

#### 4.8 Pattern of Employment in Tourism Sector

Tourism is induced employment has been categorized as direct and indirect employment. While direct employment entails opportunities provided institutions such as hotels and travel and tour related employment and employment through own enterprises, indirect employment encompass opportunities created by services that cater the tourism industry. This include vegetable farming, floriculture, and handicraft and souvenir production including.

As per World Travel and Tourism Council estimates, tourism economy in Nepal must have created 500,000 jobs in 2007 and that by tourism was estimated at 205,000. It is 5 percent of the total employment and 1 in every 19.9 jobs. Similarly, the same study has projected that the opportunity in tourism will increase to 748,000 in 2020 which will be 1 in every 17.1 jobs. As per WTO estimation, a tourist, on average, creates 9 jobs and it is as high as 13 jobs in developing country like Nepal. Therefore, in aggregate, it can be assumed that, tourism industry might have created more than 1 million jobs in Nepal.

Table 8: Employment Opportunities Provided by the Industry.

Types of Industries	Number of Employment Generated (Upto 2011/12)	Number of Employment Generated (In 2011/12)
Production Oriented	80180	1771
Service Oriented	35942	3815
Tourism	26709	1847
Construction	3016	0
Energy	8537	590
Agro-based	3994	497
Mining	6104	530
100	164482	9050

Source: Economic Survey, 2013

As per study of NTB by 2012, tourism industry will create 1,115,670 jobs which will be 7.9 percent of the total employment. As per NTB's estimation, each hotel bed creates 2.5 jobs . However, as per a survey of MOF carried out in 2013, shows the employment opportunity provided by the tourism industry is 26709 by 2012. The study further explains the annual contribution for 2012 is 1847 which is 204 percent contribution of tourism to total employment whereas the aggregate figure by 2012 is 16.23 percent.

During the period from January 2010 to January 2011, the number of classified star hotels registered with tourism industry stood at 103 while this figure went up to 106 between January 2011 and January 2012. The number of tourist class hotels, lodges, and resorts except star hotels that stood at 686 during January 2010 to January 2011 went up to 721 by January 2012. The number of beds in star hotels has increased by 198 to that of previous fiscal year reaching a total of 9,323 beds in current fiscal year while the number of beds in tourist class hotels, lodges and resorts other than the star hotels have increased by 1,240 to that of previous fiscal year

reaching to a total of 21,457 in current fiscal year.

(Source: Economic Survey, 2012/13).

#### **4.9 Projection of Employment Avenues for Tourism Human Resource**

Only gainful employment opportunities to the graduates and trainees could justify the investment made on the education and training. This is true not only in tourism but holds equally true in other sub-sectors of education as well. Therefore, education and training opportunities have to be facilitated either by experience imagination or projection. It is quite tricky and a task which can't be always very realistic. The estimated number of employment is presented in Table 9.

Table 9: Employment Projection

Categories	2005	2010	2015	2020
Projected Tourist Influx	375,398	525,702	690,690	1,297,526
Estimated Workforce	938,495	1,314,255	1,726,725	3,243,815

Source: MOCTC, 2012

As presented in Table 9, tourist influx is expected to smoothly increase over the years to come. It is estimated that a tourist creates 2.5 jobs per year in the country. Based on this assumption and the projected tourist influx, the tourism industry will continue to create increasing number of employment.

Nepal Tourism and Hotel Management Academy established in the government sector has been conducting academic programs on Travel and Tourism Management, a three-year bachelor program in Hotel Management since FY 2003/04, and Master of Hospitality Management since 2011 in affiliation with Tribhuvan University so as to contribute in producing high level and basic level human resources for the development of tourism sector. The Academy has been providing hotel management related trainings on food preparation, food and beverage service, house-keeping, front-office, travel/trekking/river guide, and canoeing. Similarly, it has imparted various mobile trainings on small hotel and lodge management, homestead management, agro-tourism to Dalits, Janajatis, physically challenged, and to 218 participants from 5 mountain districts including the Karnali zone. Rafting training under the adventurous tourism has been provided to 34 women. In the tourism sector, a total of 2,216 skilled persons were produced including 201 through academic courses, and 2,015 persons through training programs in FY

2010/11, while 240 skilled human resources was generated from academic courses and 1,232 from training programs totalling 1,472 more skilled human resource added to the total by mid-April, 2012. The total number of human resource produced so far by the Academy stands at 32,000. Likewise, Taragaun Development Committee has provided homestead training to 240 individuals of various VDCs across the country by mid-April, 2012.

(Source: Economic Survey, 2012/13).

#### **4.12 A SWOT analysis of Tourism in Nepal**

The SWOT is a strong tool to manage the tourism policy in Nepal. The long term vision has made the following tourism. S and W refer to the strength of present tourism existed within the territory of Nepal whereas O and T indicates the opportunity and threats found in the external environment of the Nepalese tourism. Based on the SWOT, Nepal can develop the policy strategies for the tourism in Nepal.

##### **Weakness**

Due to the insufficient infrastructure such as roads, communication, transportations and others tourism industry in Nepal has not been able to develop as much as it could have been. Though tourism is one of the largest industry in Nepal there is inadequate investment in tourism sector from both the private and public sectors. Tourism is just concentric within the major city areas such as Kathmandu, Pokhara, Chitwan etc. There are a lot of rural areas naturally and historically significantly beautiful and they still have been under promotional activities . Our country has just been promoted for mountainous tourism only . Besides it is culturally one of the richest country in the world.

##### **Strengths**

Unmatched natural products: Mt. Everest Himalayan range and eight of the world's fourteen 8000m peaks, diverse landscape, sublime natural scenery, protected areas with diverse flora and fauna, fast flowing rivers, year-round pleasant weather.

Ultimate adventure destination: number one destination for mountaineers and trekkers, white water rafting, largest assortment of aerial, terrestrial and aquatic sports.

Rich Culture: Multicultural, multi-ethnic; multi lingual yet harmonious society; unique Newari architecture of Kathmandu valley, Lumbini and other UNESCO world heritage sites, Kumari-

the living Goddess; more festival than days in a year; tourist friendly and hospitable people, diverse cultures in Terai region etc.

Others: A model of successive peace process, able private sector, awareness at community level, public-private-people partnership approach, gateway to the Himalayan region.

### **Threats**

Political instability, day to day strikes, bandhs, increase in crime rate has made tourism industry in its edge. The tourists are nowadays have been the victims of murder, rape , robbery and so many resulting in the loss of interest for tourists to stay in Nepal. Global terrorism is one of the other threats to tourism industry. There are a lot of other nations who has been active in tourism promotional activities and they have a large tourism industry than in Nepal. Strong competing destinations like India, Bangkok, Thailand and others have also affected the tourism industry . Nepal has been not able to produce a lot of licensed travel guide so that they could help tourists in their tours and travel. Unfavorable travel advisories who are not licensed make the tourists not get the information they seek, a huge pay for guide and sometimes misbehave also. Global economic downturn also has been threat to tourism industry. Because of climate change suddenly there has been a loss of lives of tourists in mountainous regions.

### **Opportunities**

Tourism is one of the potential sectors for the economic development of Nepal. Government has placed high priority on tourism for its development and promotional activities. Growing tourism outbound of immediate neighbours , competitive ground handling cost, spillover effects from adjoining destinations of India and China are some of the opportunities that creates a lot of buzz in tourism in Nepal. Growing demand for adventure travel and thrilling activities ,tourism industry may create opportunities for tourism industry. Sustainability of nature and cultural heritage through tourism.

(Source: [www.mof.gov.np](http://www.mof.gov.np))

Homes stay Operations Manual, 2011 is put into practice with the objective of fetching the income to rural areas that is generated through tourism. Tourism Operation Manual, 2011 has been implemented to encourage employees on internal tourism whereas Airport Inspection Manual, 2011 has been approved.

Tourists are being attracted by publicizing touristic attractions of Nepal through internationally renowned TV channels such as CNN and BBC for the promotion and marketing of international tourism. Nepal Tourism Board with private sector's participation has attended tourism fair held in India, China, Bangladesh, UK, Germany, Belgium, Netherlands, Spain, Italy, Singapore, Thailand, and France and organized B2B Session (Interaction program with Nepali and Foreign Tour Operators) and Media Briefing with a view to promote tourism in Nepal. Likewise, promotional activities were carried out such as organizing various international conferences like annual meetings of Association (UIAA) and Union of Asian Alpine Association (UAAA), World Conference of International Hotel and Restaurant Association (IH&RA). Similarly, for the promotion of domestic tourism, various awareness raising related TV and radio programs are being developed and transmitted through national television channels, movie theatres, and FM Radios. On the aviation sports side, the number of licensed paragliding stood at 16 by mid-March 2012 while one agency has been licensed for ultra-light and 2 for sky diving during the same period of the current fiscal year.(Source: Economic survey,2012/13)

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter contains the summary, conclusion and recommendation of the study respectively and subsequently.

#### 5.1 Summary

Nepal, though a small in territory, it is well known as land of mighty mountains with iconic Mt. Everest. Endowed with beautiful landscapes, natural beauties and cultural attractions, Nepal is famous destination for international travelers through tourism started only after sixties. Nepal within two decades became successful to have its significant position in world tourism scenario. Tourism in Nepal became a strong contributor in national economy after it boomed after mid-nineties. The growth of the foreign currency income is gradually increasing despite of some negative figures in some of the politically disturbances years. It has become important foreign export being major source of foreign exchange. Apart from this, it has been contributing in creating direct and indirect employment opportunities.

Realizing the importance of tourism sector to uplift national economy, Nepal government has formulated various policies, plans and strategies to develop tourism as sustainable industry. Tourism master plan 1972 was an important step in policy formulation Nepal Tourism Board (NTB) was established in 1999 with the principle of public private partnership approach. Since then, NTB has been marketing 'Nepal' as an enchanting holiday destination in world tourism market. It has adopted various strategies and undertaken different activities in order to promote Nepal as a must visit destination.

#### 5.2 Conclusion

The followings are the conclusions of the study-

1. Nepal has greater potentialities in tourism. Tourism has been established as promising industry, which is the important contributor to national economy. Tourism has greater role in Nepal to provide direct and indirect employment opportunities to major chunk of people living in urban and major touristic cities. In the more recent days, it is regarded as driving

tool to alleviate rural poverty by involving rural people in direct and indirect tourism businesses.

2. Natural and cultural attractions are the comparative advantages of Nepalese tourism. Keeping in view, the need of public private partnership in marketing and promotion of Nepalese tourism, Nepal Tourism Board was established. With important coordination and support of private travel trade sector, NTB has been marketing Nepal as an important destination in the global tourism market.
3. The recent global tourism trend has shown that the share of regional tourism is very important and encouraging. This concept is more important for country like Nepal.
4. In order to woo visitors from neighboring countries, Nepal has waived visa for national of South Asia and provided parity for entry to National parks and historical sites. It is also worth recalling here that all the 15 International Airlines flying into Kathmandu are connecting Nepal with various parts of Asia like India, China, Pakistan, Bangladesh, Middle-east and various countries of South-east Asia. Though national flag carrier is in ailing condition, new foreign airlines are interested to fly to Nepal, which has created a good hope for future. Recent trends of tourists' arrival from these countries are also encouraging.
5. There is a need of close coordination between private sector and NTB. NTB should formulate new and cost effective marketing action plans. Promotional programs for adventure-tourism, pilgrimage-tourism, eco-tourism, MICE-tourism should be carried out in Niche markets by developing special packages.
6. Though the landing fees, parking fees, navigation fee and handling charges and aviation fuels are costing dear, though there are conflicts, environmental hazards and high competition amongst inbound destination, Nepal's unique attraction has been a great asset for visitors from across the continents.
7. With this prospect in perspective, if proper policy guidelines are streamlined and a strong network and cooperation is built on Public-Private partnership approach, the future of regional tourism is high on the agenda and the prospect of the regional tourism is sure to gather momentum in the case of Nepal as it has been in Europe and America.



### 5.3 Recommendations

- ) The recent travel trend in the area of pilgrimage, MICE and sports is encouraging though adventure, culture and nature are the major attractions of Nepal to international visitors. It is required to give attention to promote and develop these areas. Experts viewed that Nepal has been overexposed as a country of mountains, but, according to them time has come to reposition on a new products. So, appropriate positioning as per the strength and demand of our product and the competitive situation of the industry should be made.
- ) Both, the government and the local people should give due emphasis to conserve our cultural and natural assets. The tourism products we have are not properly conserved, so their condition is degrading. These products should be maintained and preserved properly for the sustainable growth of industry.
- ) At present Tribhuwan International Airport (TIA) is the only international airport of Nepal. Big aircrafts cannot come here so it does not seem to have made it financially attractive to international carriers to come to Nepal. There also seemed to be limited feasibility for expansion of TIA. Likewise, present service and facilities also are limited at TIA. Therefore, an alternative international airport should be developed soon in other parts in the Terai region at a location which will be technically and economically should and viable from market perspectives. This should help to enhance international connection and make Nepal a hub for international flights making it a noted tourist destination.
- ) For easy accessibility of tourists to various places of tourist interests in the country, the government should give due attention to developing and improving road transportation. In Nepal there is limited access and the available roads are also not maintained properly. For access to new areas, roads should be constructed in strategic ways which would improve access as well as not alter the trekking routes. Similarly, regular maintenance or roads is also necessary at least in the tourist frequented areas. A proportion of tourism revenue may be allocated for this purpose.

- ) One of the main problems faced by Nepalese tourism is in the deteriorating conditions of the environment. We need to focus on environment issues especially pollution in Kathmandu Valley, major trekking routes and tourist places. In Kathmandu solid waste lying scattered and rubbish are not collected on time and cleansed. These have provided to be eye sores to everybody including the visitors. Besides, they pose serious health hazards. Tourists have expressed serious concern about it and other respondents also have given great emphasis to this aspect. For this, solid waste situation in Kathmandu must be improved or Nepal may well forget about the tourism industry. Pollution should be controlled by enforcing standards to vehicles, industries and other sources of pollution at the valley level in Kathmandu and not on a pocket or compartment basis. Attention should also be given to decongest especially tourist areas.
- ) The analysis clearly showed that Nepal has not given due attention towards the promotion of tourism. It does not seem to have been able to market tourism properly. Despite proving to be a market leader in many areas in the South Asia, its market share is limited. Professional approach should be incorporated in marketing Nepal and its products.
- ) Tourism marketing should be done jointly by the government and the private sector to promote destination, promote products and to counter poor or bad publicity abroad whenever such cases happen. Such publicity has occurred on number of occasion. One sector should not wait or look at other sector to do the job. Both these should join hands and promote Nepal on a continuous manner.
- ) Nepalese Embassies and consulate offices abroad can be the best media to provide information about Nepal. By mobilizing these agencies through qualified staff oriented towards marketing and promotion of tourism, Nepal can be promoted effectively. Thus, Nepalese Embassies and consulate offices abroad must be mobilized effectively as a market outlet of Nepal.
- ) Nepal must target its markets according to strengths and prospects. The leading market segments for Nepal may be India, China, Western Europe, Japan, USA and

Australia. The SAARC, ASEAN and East Asia also may be promising segments for future. So, all marketing and promotional efforts must be done on the basis of these identified target markets. All marketing efforts must be done by prioritizing on the basis of the existing and potential market strengths.

- ) In Nepal, the government has been giving attention to develop the tourism sector. But, in view of the importance of the sector, the allocation of development and promotional budget is very low. Due to the lack of budget, tourism promotion is not being done properly. Greater allocation of development as well as promotional budget is needed in this sector. In order to gear up promotion of tourism, the private sector also should spend more allocating separate budget for its marketing.
- ) Nepal must make an annual tourism promotion and marketing plan. Target markets and segments should be identified on the basis of continuous market analysis and analysis of the competitive situation. Prioritization should be made on the basis of our product strength, market trend and need and strategies of other competitors. Suitable strategies and promotional program should be developed on such basis. Proper budgeting and resource allocation and continuous monitoring and feedback are also necessary to realize defined targets.
- ) Political parties should think very sensitively towards creating peaceful and strike free Nepal in order to improve Nepal's image abroad. All types of political demonstrations, strikes, bandhs, and vandalism should not exist. Political demands should be raised and addressed peacefully without creating any question mark on safety and security situation of Nepal.

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