

Chapter 1

Introduction

1.1 General Background

Tourism today is the world's largest industry. According to the World Travel and Tourism Council (WTTC), tourism directly and indirectly generates and supports 204 million jobs, which is equivalent to more than 10 percent of the world's workforce. It is expected to provide 328 million jobs by 2010. Tourism is also responsible for over 11 percent of global gross domestic product (GDP), which is expected to increase to 12.5 percent in 2010 (World Travel and Tourism Council 2004). Tourism is, therefore, a major force in the economy of the world. It is an activity of global importance and significance.

Tourism plays a vital role in the social, cultural and economic development of most of the nations. Throughout the world, tourism continues to develop as a significant social and economic activity (Smith 1995, 1). It is stated that receipts from international tourism more than doubled in the decade 1988-98, increasing from US\$ 204 billion to US\$ 440. Similarly, international arrivals in absolute terms rose from 394 million in 1988 to 702.6 million in 2002. The international tourists number will be 1.6 billion by the year 2020, spending a total of \$2 trillion per year, or \$5 billion a day. It represents tourism expenditure nearly four times more than the \$474 billion spent worldwide in 2002. (World Tourism Organization 2004). The international arrivals are expected to increase to 1006 million in 2010. Thus tourism has grown and will continue to grow to be an activity of worldwide importance and significance. For a

number of countries, tourism is the largest commodity in international trade. In many others, it ranks among the top three industries (Goeldner *et al.* 2000, 8). Tourism has grown rapidly to become a major social and economic force in the world and Nepal is no exception.

Tourism today offers immense opportunities to all involved in it (Smith 1995, 1). International tourism has become more important since the equivalent of a quarter of the world's population has traveled abroad (Laws 1995, 2). Its impact may be seen from the development of airports, hotels and resorts in most of the countries of the world providing employment and income to many people. Managed sensitively, tourism can be less destructive than alternative industries such as mining, while it has the potential to increase the wealth of the population in the destination areas.

The benefits of tourism development have largely been seen in economic terms, as in tourism's ability to generate income, jobs and corporate profits, bring in foreign exchange, boost tax revenues, diversify the economy and aid regional development (Pearce and Butler 1999, 4). Social and environmental benefits have also been recognized. As more traditional sectors of the economy, first agriculture and then manufacturing, have come under the pressure regarding their ability to deliver in these terms, tourism has been increasingly targeted as a potential alternative or complement to development.

Because of tourism's great potential for growth, several tourism researchers have directed their attentions to the various effects of tourism ranging from the negative effects like detrimental water and air pollution created by tourism complexes to the positive effects like increase in the standard of living of local peoples (e.g. Edington & Edington 1986; Liu & Var 1986; Holder

1988; Lea 1988; Inskip 1991; Hunter & Green 1995; Mieczkowski 1995; Nickerson 1996). Only recently, however, researchers have begun to examine the long-term effects of tourism on the local economy, environment, and culture (Nickerson 1996). Traditionally, tourism has been allowed to develop with little effective planning or regulation (Mieczkowski 1995). Accordingly, the tourism industry has created unexpected problems that we are only beginning to understand how to correct. Some of the most important effects of tourism are the striking changes that tourism may cause to an area. The effects may be economic, social, or environmental. It has been suggested that the tourism industry be treated similarly to mining and forestry – as an industry that can influence ecosystem processes (Woodley 1993). As such, comparable systems of regulation and planning must be put into place before the advent of tourism in an area in order for ecotourism to be successful. Historically, tourism organizers have not upheld this level pre-planning (Mieczkowski 1995).

As a rapidly growing sector of many less industrialized countries, international tourism has emerged as an important component of export-oriented development programs (Goodwin, *et al.* 1998). Proponents of it as a development tool cite numerous potential economic benefits for host countries, including increased foreign exchange earnings, increased employment opportunities, improved socioeconomic conditions, and a greater market stability than traditional commodity, exports (Eadington and Redman 1991; Lea 1988). However, critics have expressed the view that tourism, in common with many outward-oriented patterns of growth, merely perpetuates existing inequalities between developed consumer nations and developing hosts (Britton 1982; Brohman 1996; Krippendorf 1987; Pleumaron 1994). In particular, they suggest that economic capital and control frequently stem from outside sources resulting in leakages, external dependency, and an unequal distribution of benefits and costs.

Alternative forms of tourism are increasingly being promoted in rural areas as a means to combat the historic trends of inequality and dependency (Brohman 1996). For example, ecotourism has emerged as a potential mechanism for involving local rural communities in association with natural heritage such as protected areas. However, the ideology of ecotourism remains relatively untested in practice. This study attempts to examine the tourism trend in Nepal in the light of alternative tourism.

Tourism has become the most important earner of foreign currency in most developing countries. For those who have no other competitive export commodity base it has become the only export, the mono-crop (Tourism Concern 1996). The arguments condoning mass tourism in developing countries emphasize that any money spent by tourists there is benefiting the economy and bringing some wealth to the people. However, there is ample evidence that although some of the more fortunate sections of the society, ruling elites, landowners, government officials or private businesses might benefit, the poor, landless, rural societies are getting poorer, not just materially but also in terms of their culture and resources. Eviction and displacement for construction of tourism resorts, rising land, food and fuel prices, and commoditization of cultural assets are just some examples (De Kadt 1979). Far from bringing economic prosperity to the developing world, tourism has great potential to reinforce social inequality and economic dependency. This study is directed towards dealing with some of these issues in the context of tourism in Nepal.

Tourism performance, like that of any other sector of the economy, is determined by the complex interaction of endogenous and exogenous factors (Deegan and Dineen 2000). On the endogenous side, the tourism policy of the government, access transport policy and more

generally prudent domestic macroeconomic management can play a significant role in determining tourism outcomes. On the exogenous side, the tastes of international tourists, the general levels of disposable incomes and the exchange rates prevailing in outbound markets also contribute in no small way to the tourism outcomes in host countries. This study is an attempt to determine tourism outcomes in Nepal.

The increasing incidence of environmental problems and the resultant discussions and concerns regarding environmental conservation in the 1980s gave birth to the concept of sustainability, sustainable development and sustainable tourism development (Bramwell and Lane 1993; Baum and Conlin 1994; MacLellan 1997; Wall 1997). As in the general environmental discourse, there is an abundance of principles, codes and guidelines for sustainability in the tourism industry (e.g., WTO 1992, 1993; WTTC 1996; WWF/tourism Concern 1996; Griffin and Boele 1997). However, the concepts and practices of sustainability are mired in contradictions and controversies. To begin with, sustainable development contains two seemingly paradoxical aspects, namely, preservation and development (Aronsson 1994, 83). Another major issue that makes the entire concept suspects is its exploitation by the tourism industry by resorting to what is known as 'eco-labelling' and 'eco-selling' (MacLellan 1997). Wall (1997, 46) wonders if the average eco-tourist is more demanding environmentally than the mass tourist who may not need to visit endangered species in remote locations, and whose needs and wastes can be more readily planned for and managed in large numbers incorporating economies of scale. As MacLellan (1997, 105) argues 'in many cases sustainable tourism policies give the appearance of significant change in attitude while in reality they make little impact on underlying trends and institutional structures'. Considering the emphasis placed on sustainable tourism in recent years, this study is intended to reveal the emphasis placed on

planning and practice of sustainable tourism in Nepal.

Several tourism researchers have attempted to clarify the nature of the tourism product. Some of these approaches have incorporated a supply and demand sides that describe how multiple components of the destination interact with travelers during their trip. For example, Murphy (1985) equates destinations with the market place; where demand and supply characteristics jostle for attentions and consumption. Gunn's (1994) model of the Tourist System denotes the tourism product as a complex consumptive experience that results from a process where tourists use multiple travel services during the course of their visit (information, transportation, accommodation, and attraction services. Smith also acknowledges the role of such travel services in creating a product experience (Smith 1994). However, Mo, Howard & Harvitz (1993) showed that the destination's environment was the primary factor and the destination's service infrastructure the secondary factor in an international tourist's experiential desires of the destination product. Bitner (1990) also indicated that the physical environment in which the encounter takes place plays a significant role in the consumer's experience. The importance of atmosphere to a tourism experience is tied to a destination image, defined by Kotler, Haider and Rein (1993) as "the sum of beliefs, ideas and impressions that a people have of a place". Hence, it is no surprise that image research has produced a variety of complex patterns, which require further analysis (Britton 1979; Lilly 1984; Phelps 1986; Ross 1993). Other things remaining the same, the greater the number of tourists, better is the image. This study is devoted to revealing the idea about trend in Nepal's popularity as a tourist destination.

It is considered that destination elements can and in many cases do, make up the core of the environmental effect on visitors. Physical elements of the destination could include features

like a site or facility, natural resources such as scenic landforms, flora and fauna, or physical conditions such as the weather (Dunn & Iso-Ahola 1991; Buckley 1994). Social factors like the friendliness of the local people, the language spoken, family structures, occupations, urban layout and population density, are also attributes of the destination that can form part of the macro-environment (Canestrelli & Costa 1991; Machlis & Burch 1983). The level, use, or lack of infrastructure and technology in a destination (e.g., water and power supply, use of computer technology and communications etc.) are also visible features of developed and under-developed tourism products that can factor into the visitors' trip experience (Choy 1992; Johnson & Edwards 1994). The economic conditions and structural features that characterize a country, such as currency exchange, market behavior and pricing, are further attributes of the product that can influence traveler experiences and thoughts about a destination (Dieke 1991; Stevens 1992). Culture is another important factor shaping many tourist experiences. Authentic local culture, its history, institutions and customs can provide a rich experiential tapestry for the visiting tourist (Cohen 1988, Prentice 1993). Finally, the political dimension is another key factor that contributes to the nature of the destination product. For example the political stability, foreign policy, or government policy on important issues such as human rights or democratic elections can determine tourist perceptions and behavior. Furthermore, government control, responsiveness to tourism, and the treatment of tourists (e.g., visa applications, ports of entry, industry support, specific entry conditions, etc.) can also affect the destination environment that tourists experience (Murphy *et al.* 2000). All these factors taken together determine the quality and value of tourism. This study is directed towards throwing some light on quality and value of tourism in the context of Nepal by considering the environmental aspects of the destination, plus the effect of service infrastructure on the visitor experience.

Tourism research has accelerated dramatically in the last decade but, considering the size and scope of the tourism industry, the social science study of tourism is still in its infancy (Richter 1995, 71). As a consequence, the 1990s are an exciting period in which to examine the changing focus of tourism analysis. Growth in the amount of research on tourism has not necessarily been matched by a concomitant increase in the quality of research being done in this field. The lack of strong theoretical base might still be applied today (Mowforth and Munt 1998). Not only is there a growing need to study tourism further as new issues and problems appear and the increasing magnitude of the sector enlarges its significance – socially, economically, environmentally and politically – but there is also a need to understand the phenomenon better by addressing the quality of research that is being done and how that might be improved (Pearce and Butler 1999,2). This study is also a small attempt in that direction.

1.2 Statement of the problem

Nepal has several natural, cultural and ethnic advantages, which could be used in numerous ways to develop its tourism sector. Nepal's natural resources like the greatest mountain range on the earth, thick forest teeming with a wealth of wildlife, thundering rivers, forested hills and frozen valleys have been well documented in almost all the tourism related literature (for example, Belk 1993; Eachern *et al.* 1995; Gruz 1999; Gurung and Coursey 1994; National Planning Commission 1998; Nepal Tourism Board 1999; Parker 1993; Robinson 1997; Satyal 2000).

The tourism sector is an important sector because Nepal with an area of only 0.1

percent of the earth has 2 percent of all the flowering plants in the world, 8 percent of the world's population of birds (more than 848 species), 4 percent of mammals on the earth, 11 of the world's 15 families of butterflies (more than 500 species), 600 indigenous plant families and 319 species of exotic orchids (Nepal Tourism Board 1999, 4).

Within the spectacular geography, Nepal has rich cultural landscapes. The country has several ethnic groups and sub-groups who speak over 70 languages. Besides, Nepal offers an astonishing diversity of sightseeing attractions and adventure opportunities found nowhere else on earth. If planned well, tourism can raise demand for locally produced goods and services and improve conditions and welfare of people creating off-farm employment and income generating opportunities in remote areas (Velzen 1998). Alwis (1997, 23) opined that tourism offers the best option for Nepal for short to mid term creation of wealth. Likewise, the importance of tourism for Nepal has been stressed by almost all the studies (Banskota and Sharma 1993, Finlay 2001, Hummel 1999, Ives 2001, Metz 1995, Nepal Rastra Bank 1992, Pawson 1984, Pradhanang 1997, Sharma 2003, Sharma 2001, Shrestha and Shrestha 2003, Walder 2000, Zwartkruis 1995).

Nepal is now one of the popular alternative tourist destinations. It is considered to be one of the best adventure destinations in the world (Nepal Tourism Board 1999, 29). The Himalayas in Nepal have become popular destinations for international tourism, which has rapidly increased in recent years (Nepal 2000, 661). With scenic natural beauties, climate and culture, Nepal can compete in the tourists' list of destination. However, the exotic scenery, a mild climate, mountains, attractive cultural

landscape and a friendly, welcoming ambience are not enough to become a successful destination.

The strategic planning for tourism development is a must. It was only in 1956 that tourism was considered as a priority area of national development efforts when Nepal came up with the First Plan, 1956-61. With this, tourism sector found an important place in all the successive periodic economic development plans of the country. Though tourism has been regarded as one of the priority areas of national development, it is reported that tourism planning has not been given an adequate focus in national development planning. The formulation of Tourism Master Plan in 1972 was an exception. What were the successive periodic plans in the context of tourism development, what were the strategies adopted, how the Master Plan was integrated with periodic plans, and how the periodic plans are reflected in local level planning, are yet to be analyzed.

Tourism development is to be undertaken in an integrated manner as it is a multi-sector component. There is however a dearth of studies/researches on this area too. It is reported that tourism development in the country has not been well guided by planning. The widening gap between planning and implementation is an important issue, which needs to be addressed properly. The role of planning on the performance of tourism at the macro and micro levels has not been analyzed yet. The relation between tourism performance at the macro level with that of micro level is still an unresolved issue. Besides, the comparative study of tourism performance at the micro level over a period of time has not been assessed for the

selected tourist destination.

The present study aimed at addressing the issues noted above both at macro and micro levels. The study was directed towards dealing with the following specific issues.

(a) On tourism planning:

1. What is the state of tourism planning in the country? How has it evolved over a period of time?

(b) On the state of tourism development at macro level:

2. What is the trend in the performance of tourism sector in the country?
3. What is the nature of demand for tourism in Nepal?
4. Who demands more for tourism in Nepal?
5. When is the demand for tourism in Nepal?
6. Why is there a demand for tourism in Nepal?
7. How the demand for tourism in Nepal has benefited the host country?
8. How far the supply side is enough to meet the demand for tourism in Nepal?
9. Has there been any change in demand for and supply of tourism in Nepal over a period of time?
10. What is the relationship of tourist arrival and tourism earnings with tourism expenditure and tourist accommodation?

(c) On micro perspective of tourism:

11. How are the national perspectives of tourism reflected at local levels? What is the state of tourism in Nagarkot? What are the effects of tourism in

Nagarkot? Have they changed over a period of time?

1.3 Objective of the Study

The major objective of this study is to analyze the tourism development in Nepal at macro and micro level in terms of planning and performance for improvement of tourism planning in Nepal. The specific objectives are:

1. To assess the nature of tourism planning at macro level.
2. To study the attributes of tourist arrivals in Nepal.
3. To analyze demand side of tourism by considering the pattern of growth in tourist arrivals, seasonality, and composition of tourist arrivals.
4. To examine the purpose of visit and length of stay by the tourists.
5. To assess the growth in revenue generation from tourism.
6. To analyze the supply side of tourism in terms of the growth in tourism infrastructure, e.g., accommodation, manpower, airlines, and investment.
7. To ascertain the effect of tourism expenditure, and tourist accommodation on tourist arrivals and on tourism earnings.
8. To analyze micro level perspective of tourism by conducting a case study of tourism in Nagarkot.

1.4 Research Methodology

This study is basically a descriptive research consisting of a fact-finding operation and survey of the opinions and characteristics of a given population. Though the study is more of descriptive in nature, it also deals with establishing relationship between two or more

variables/phenomena and clarifying the relationship. The study attempts to explain, form of macro as well as micro perspective factors that contribute to tourism in Nepal. It utilizes secondary data to analyze macro perspective of tourism including the relationship between a set of variables, while it uses primary data to analyze micro perspective of tourism. The study consists of reviewing the major concepts, principles, and researches that dealt with tourism at macro and micro levels. It also reviews the major periodic plans and publications concerning tourism development in the relevant context. The study is based on both published and unpublished materials obtained from different sources, e.g., Nepal Tourism Board, Ministry of Culture, Tourism, and Civil Aviation, Ministry of Finance, Nepal Rastra Bank, FNCCI, National Planning Commission, Civil Aviation Authority, and other tourism related associations and organizations. The present study also consists of a field study, which is conducted in Nagarkot for assessing micro perspective of tourism in the form of a case study. The field study consists of the following:

-) Survey of tourists.
-) Survey of households.
-) Survey of hotels and lodges.

All the surveys were conducted during 2005, and were termed as ‘the 2005 survey’ through out this study. The field survey research design consists of administering the questionnaire surveys as indicated in Table 1.1:

Table 1.1: Distribution and return of questionnaires for the surveys in Nagarkot

Respondents	Number distributed	Number returned	Percentage returned
Tourists	140	108	77%

Local households	60	60	100%
Hotels and lodges	30	30	100%

Thus the returned questionnaires varied from 77 percent for the tourists to 100 percent for the local households, and hotels and lodges. Thus, this study has elements of both, quantitative and qualitative approaches.

1.4.1 The tourists' survey:

The survey of tourists was conducted in Nagarkot at two stages: the first 70 questionnaires were distributed during March-April, 2005 and the second 70 questionnaires were distributed during October-November, 2005 by visiting all 30 hotels and lodges. Only the peak seasons were considered for the survey of tourists because of the lack of tourists in the lean seasons. The two-stage survey was designed due to the seasonal nature of tourism in Nagarkot. This kind of survey design is expected to produce the survey results more reliable and valid. From each of the hotels and lodges, two to ten tourists were contacted for administering the questionnaire. The questionnaires were distributed to the tourists depending upon the size of the hotel. The larger the size of the hotel, greater was the number of questionnaires administered to the tourists. The hotels and lodges were visited several times: first visit for the distribution of questionnaires and subsequent visits for the collection of questionnaires. The survey of tourists was completed by distributing and collecting questionnaires as indicated in Table 1.2:

Table 1.2: Description of questionnaires distributed and returned during the tourists' survey

Hotels	Number distributed	Number returned
<u>First stage</u>		
) Star hotels	35	27
) Non-star hotels	35	27

Second stage	35	27
) Star hotels	35	27
) Non-star hotels		
Total	140	108

For the purpose of the tourists' survey, hotels and lodges were categorized into two groups, namely, star hotels and non-star hotels including lodges. In the first stage, the target was to distribute and collect 70 questionnaires, but only 54 questionnaires could be collected. In the second stage also, 70 questionnaires were administered among the tourists and the survey was ceased when 54 questionnaires were collected.

The tourist survey questionnaire contained various questions on tourists' profile, their major reasons for visiting Nagarkot, spending in Nagarkot, and problems and prospects of tourism as viewed by the tourists visiting Nagarkot. The specimen questionnaire for the survey of tourists is provided in Appendix 1.1.

1.4.2 The survey of local households:

The survey of local households of Nagarkot was completed by administering sixty questionnaires during October-November, 2005. For the purpose of survey, sixty local households were visited. The questionnaire for the local households contained questions on the benefits of tourism enjoyed by them, problems faced by them due to tourism development, the condition of their toilets, and generation and disposal of their solid wastes. The specimen questionnaire used for the survey of households is provided in Appendix 1.2.

1.4.3 The survey of hotels and lodges:

In Nagarkot, there were 30 hotels and lodges at the time of undertaking the survey. The survey of hotels and lodges of Nagarkot was completed by distributing questionnaires to all of them during October-November, 2005. For the purpose of the survey, all the 30 hotels and lodges of Nagarkot were visited. The questionnaire for the hotels and lodges contained questions on their income, number of tourists visited, condition of their business, adequacy of tourists facilities in Nagarkot, and tourism impacts as viewed by hotels and lodges in Nagarkot. The specimen questionnaire for the hotels/ lodges is given in Appendix 1.3

Finally, the results of the 2005 survey were compared with the results of the similar survey carried out in 1995 (Pradhan: 1996a). The comparison is expected to provide an insight into how tourism impacts have changed over a period of ten years.

1.4.4 Nature and Sources of Data

This study is based on both secondary and primary data. The macro level study is essentially based on secondary data and information, while the micro level study is primarily based on primary data and information. The primary data were collected through structured questionnaires and interviews in Nagarkot. The major respondents in Nagarkot were tourists, hotels/lodges, and local households. Besides primary data, this study also used secondary data collected from different sources. The major source of secondary information was 'Nepal Tourism Statistics' brought out by the Ministry of Culture, Tourism and Civil Aviation, Government of Nepal. This is an official statistics on tourism which contain data on tourist arrivals classified by age, sex, purpose of visit, major nationalities, mode of transport, and other

characteristics; length of stay; number of trekking permits issued; total number of trekkers; number of expedition teams, peaks and mountaineers; manpower production by Nepal Academy of Tourism and Hotel Management (NATHM); visitors to Pokhara; visitors to national parks; hotel accommodation; departure of Nepalese nationals; and so on. The other sources were also consulted to collect additional data. They included 'The Economic Survey' and 'Annual Expenditure Budget of Government of Nepal' popularly known as the red book published by the Ministry of Finance, 'The Statistical Pocket Book of Nepal' published by the Central Bureau of Statistics, and 'Quarterly Economic Bulletin' published by Nepal Rastra Bank. The Red Books were used to obtain data on tourism development expenditure of Government of Nepal while Quarterly Economic Bulletins were used to verify and obtain data on foreign exchange earning from tourism and price indices.

1.4.5 Method of Analysis

The method of analysis employed in this study consists of both qualitative and quantitative. The quantitative description covered computation and analysis of the following:

- J Volume of tourism: The measurement of demand normally includes statistics of volume. The total number of international tourist arrivals to Nepal and the total number of international tourist departures from Nepal is key measures of demand. It should be seen that such measures are actually of trips rather than counts of individuals since, for example, a businessman who makes 20 visits to a country will be counted 20 times. A better measure of volume is total tourist nights or days, which is equal to number of tourist trips, multiplied by average length of stay (nights or days stayed). This measure also acts as a measure of likely impact on a tourist destination (Cooper *et al.* 1998, 81).

-) Age groups and average age of tourists
-) Means and standard deviations for tourist arrivals
-) Average annual growth rates in tourist arrivals; number of trekking permits issued; trekking permits issued for different trekking routes; star, non-star and total hotels and hotel beds; foreign exchange earnings; average income per visitor per day; and tourists supplied by major airlines.
-) Total number of tourist days.
-) Average income per tourist.
-) Average income or expenditure per day: Total visitor expenditure is a simple measure of the economic value of foreign visitors to a country. It normally includes spending within a host country, and excludes fare payments made to international passenger carriers for travel into and out of that country. Similarly, the expenditure of outgoing tourists while abroad is a measure of the economic cost to a country due to its nationals traveling abroad. International tourism expenditure can typically be classified under the headings of accommodation, food and drink, entertainment. Shopping and travel within the host country (Cooper *et al.* 1998, 81).
-) Foreign exchange earnings from tourism as a percentage of total foreign exchange earnings, GDP, etc.
-) Tourist accommodation capacity.
-) Tourist beds utilized per year.
-) Hotel occupancy rates.
-) Proportion of star and non-star hotels to total hotels
-) Proportion of star and non-star hotel beds to total hotel beds
-) Tourists per hotel and per hotel bed.

-) Size of hotels expressed in terms of average number of beds per star and non-star hotels.
-) Manpower trained by NATHM.
-) Number of tourists per trained person
-) Tourism development expenditure as percentage of total development expenditure
-) Tourism development expenditure per tourist

The above information were collected and analyzed in order to provide useful insight into Nepalese tourism at the macro level.

The Model

Macro-econometric model building has been used in the economic literature for the last several decades but such model building in the field of tourism has only been a recent phenomenon. It is beyond the scope of this study to undertake macro-econometric model building in the context of tourism in Nepal but attempts are made to undertake regression analysis to establish the relationships between the selected tourism variables.

In this study, time series data were collected to estimate the functions explaining the relationship of tourist arrival and tourism earnings with tourism expenditure, tourist accommodation and other factors. Attempts have been made to estimate the regression models that explain behavioral relationships between exogenous and endogenous variables. The decision about the aggregate level of tourist inflow may first be regarded as subject to the constraint of tourism investment. Today, many nations, states, and provinces are seeking investment in tourism, just as they would seek investment in manufacturing or processing plant

(Gunn 1994, 161). In order to attract investment, many countries provide financial incentives (Laws 1995, 146). Even a straightforward loan can be as important as evidence of the government's commitment to tourism growth. Early tourism studies in developing countries (mainly in Caribbean) indicated that per dollar of investment in tourism created more jobs than in manufacturing, primarily due to high multiplier effects (Butler and Hinch 1996, 50). Hence, investment is one of the important variables affecting tourism development.

It is hypothesized in this study that tourist arrival is one of the important functions of tourism development expenditure. Other things remaining the same, investment in tourism should increase tourist arrival. Tourism development expenditure has been defined as government's appropriation of funds for tourism development. In other words, it does not include the investment by the private sector on tourism. Hence, the first regression equation to be estimated may be specified as under:

$$\ln \text{ TOUR} = b_0 + b_1 \ln \text{ EXPD} + U_i \quad \dots \quad \dots \quad (1.1)$$

where, b_0 is constant, b_1 is elasticity of TOUR (total number of tourists) with respect to EXPD (tourism development expenditure). The above model assumes the following reasonable a priori hypothesis:

$$\Omega \text{ TOUR} / \Omega \text{ EXPD} > 0 \quad \dots \quad \dots \quad (1.2)$$

Tourism infrastructure also plays an important role in tourism promotion. The suitable infrastructure development is a precondition for tourism promotion. It is thus hypothesized that

tourist arrival also depends on tourism infrastructure. In this study, tourism infrastructure has been defined in terms of hotel accommodation facilities only. When the hotel accommodation facilities are defined in terms of the number of hotel beds the next equation to be estimated may be expressed as under:

$$\ln \text{ TOUR} = b_0 + b_1 \ln \text{ EXPD} + b_2 \ln \text{ HBEDS} + U_i \quad \dots \quad \dots \quad (1.3)$$

where, b_0 is constant, b_1 and b_2 are elasticities of TOUR (total number of tourists) with respect to EXPD (tourism development expenditure) and HBEDS (total number of hotel beds). The above model assumes the following reasonable a priori hypothesis:

$$\Omega \text{ TOUR} / \Omega \text{ EXPD} > 0 \text{ and } \Omega \text{ TOUR} / \Omega \text{ HBEDS} > 0 \quad \dots \quad \dots \quad (1.4)$$

The equation (1.3) needs to be estimated substituting hotel beds (HBEDS) by total number of hotels (HOTELS) and total number of star hotels (SHOTELS) in order to indicate if the number of hotel beds is a better representative or proxy for hotel accommodation facilities. The variation in results needs to be considered while estimating the effect of hotel accommodation facilities on tourist arrival.

Governments often encourage tourism in many countries. The reasons for their enthusiasm vary ranging from the lack of any viable alternative when an existing industrial or primary sector declines, or because jobs in the tourism sector are relatively quick and cheap to create, while the influx of affluent visitors stimulates the general economic development of the region, bringing in convertible currency (Laws 1995, 85). Governments have emphasized the economic benefits of tourism, such as its ability to generate foreign exchange earnings ... (Akehurst et al

1994). The development of a region's tourism sector can result from a variety of factors. One of such irresistible pressures is the government's need for foreign exchange (Laws 1995, 136). The foreign exchange earning is, therefore, one of the important variables in the study of tourism. Attempts are made to increase foreign exchange earnings by increasing the tourism development expenditure. Hence the decision about the aggregate level of foreign exchange earnings (termed as EARN) may first be regarded as subject to the constraint of tourism investment. As a first approximation to the theory, the function may be specified as,

$$\ln \text{EARN} = b_0 + b_1 \ln \text{EXPD} + U_i \quad \dots \quad (1.5)$$

Where, $\Omega \text{EARN} / \Omega \text{EXPD} > 0$.

The equation (1.5) may be estimated by incorporating the variable on hotel accommodation facilities as a proxy for tourism infrastructure. When the total number of hotel beds as a proxy for hotel accommodation facilities is incorporated in the above expression, the next equation to be estimated is,

$$\ln \text{EARN} = b_0 + b_1 \ln \text{EXPD} + b_2 \ln \text{HBEDS} + U_i \quad \dots \quad (1.6)$$

Where, $\Omega \text{EARN} / \Omega \text{EXPD} > 0$ and $\Omega \text{EARN} / \Omega \text{HBEDS} > 0$

The equation (1.6) may also be estimated by using either total number of hotels (HOTELS) or total number of star hotels (SHOTELS) in place of total number of hotel beds (HBEDS) to find out a better proxy for hotel accommodation facilities.

Besides, earnings from tourism may be attributed to increase in tourist arrivals and hotel accommodation facilities. It may be useful to estimate the equation as stated below:

$$\ln \text{EARN} = b_0 + b_1 \ln \text{TOUR} + b_2 \ln \text{HBEDS} + U_i \quad \dots \quad (1.7)$$

Where, $\Omega \text{EARN} / \Omega \text{TOUR} > 0$ and $\Omega \text{EARN} / \Omega \text{HBEDS} > 0$

The total number of hotel beds (HBEDS) may be replaced by total number of hotels (HOTELS) or star hotels (SHOTELS) to find out the best fit.

As an industry, tourism has a great potential to generate many employment opportunities within both the formal and informal sectors (Butler and Hinch 1996, 50). However, tourism industry requires specific type of manpower, which should be able to serve the tourists. The developing country literature states that higher-level, managerial jobs are generally held by foreigners or non-locals (Butler and Hinch 1996, 51). Hence, one of the important factors in tourism is the manpower available for serving the tourists. In Nepal, NATHM is the major training institution that produces manpower required for tourism development. Viewed in this way, it is useful to estimate the above equations by incorporating the variable for manpower trained by NATHM. The relationship of manpower trained by NATHM with the desired level of tourist inflow and foreign exchange earnings is postulated to be positive.

There may be numerous variables that affect the tourist arrivals and tourism earnings in a particular country, but inclusion of all these variables is beyond the scope of this study. Hence,

only those variables, which can more prominently affect tourist arrival or tourism earnings, are included in the model.

Definitions of Variables

The following are the definitions of the variables used in the above models:

-) TOUR refers to the tourist inflow or arrival data collected from Nepal Tourism Statistics.
-) EARN refers to data on foreign exchange earnings from tourism collected from Nepal Tourism Statistics.
-) EXPD refers to the data on tourism development expenditure of Government of Nepal collected from the Red Book published by the Ministry of Finance every year. It implies the budget appropriation by the government annually. It does not include Government of Nepal's regular expenditure on tourism.
-) HBEDS refers to the data on total number of hotel beds data collected from the Economic Survey published by the Ministry of Finance.
-) HOTELS refers to the data on total number of star and non-star hotels collected from the Economic Survey published by the Ministry of Finance.

) SHOTELS refers to the data on number of star hotels only collected from the Economic Survey published by the Ministry of Finance.

) NATHM refers to the data on number of manpower produced or trained by NATHM collected from the Economic Survey published by the Ministry of Finance

For the purpose of regression analysis, the EARN and EXPD variables are deflated by using national consumer price index. The variables are developed from the review of literature.

1.5 Limitations of the Study

) This study includes the study of international tourists only thus ignoring domestic tourists.

) The general tourist data used in this study are mostly based on ‘Nepal Tourism Statistics’ brought out by the Ministry of Culture, Tourism and Civil Aviation. Hence the study suffers from all those data limitations, that are found in the said publication. For example, the tourist data reported in the said publication are understated since they do not include Indian tourists traveled by roads as there is no passport and visa requirement for the Indians while entering Nepal. The Indian tourists traveled by air are, however, included in the data.

) The study suffers from all those limitations that are inherent in national tourism data. Presently, if the same tourist visits two times in a year, it is regarded as two tourists. There is no system yet to publish data on tourist’s repeated visits.

) For the purpose of this study, the terms *travel* and *tourism* are taken as synonymous. A *tourist* is taken as someone who travels away from home. The term *visitor* is taken as synonymous with *tourist*.

) This study may not be generalizable beyond the tourists/executives/households of the place. The findings cannot be applied to communities with different structural characteristics, such as level of tourism, current economic base, and power structure.

) This study is limited to the examination of the opinions of individual tourists, households, and hotels/lodges in relation to tourism and does not include an examination of social structure. Unlike Ap's (1992) study that examined the dimension of power, this study does not include the role of social structure dimensions in determining attitudes toward tourism.

) The micro level study covers Nagarkot only.

) The tourist survey in Nagarkot was administered during the peak seasons and hence the results need not represent the lean seasons.

1.6 Organization of the Study

The study has been organized into seven chapters. As already mentioned, the first chapter described the major issues to be investigated along with the objectives and research

methodology. The nature and sources of data, method of analysis, the model to be estimated, and the definitions of key variables used in the model are described under research methodology. The review of literature has been accomplished in the second chapter. The third chapter is devoted to the nature of tourism planning undertaken in Nepal. The fourth chapter examines the performance of tourism in Nepal. It includes analysis of demand and supply sides of Nepalese tourism. Chapter five estimates functions explaining the relationship of tourist arrival and tourism earnings with tourism expenditure, tourist accommodation and other factors in the context of Nepal. Chapter six presents a case study of tourism in Nagarkot, which includes, among others, results of the survey of tourists, local households, and hotels/lodges. It also deals with comparison of these results with the results of 1995 survey (Pradhan, 1996a). Lastly, the summary of findings, conclusions and recommendations are presented in chapter seven.

Irrelevant write ups:

Thus, the method of analysis used in this study comprises of either describing the situation, or by computing various averages, growth rates, proportions, and equations, as appropriate, in one or more of the following cases:

-) What planning efforts have been made for tourism development in Nepal? How has tourism planning evolved in economic development plans of Nepal?
-) What is the pattern of tourist arrivals? What is the tourists' demand for modes of transportation? Has it changed over a period of time?
-) What is the significance of gender issues in Nepalese tourism? What is the proportion of male and female tourists?
-) How aged are the tourists visiting Nepal? Has there been any change in their average age?
-) Is there any seasonality in Nepalese tourism? How is the seasonality pattern of tourist arrivals?
-) Which continents or countries generate most tourists? Is there any change in the sources of origin of tourists?
-) What is the major purpose of visit by the tourists? Is there any difference in the purpose of visits by different nationalities? How significant is the trekking tourism in Nepal?
-) What is the average length of stay by tourists? Has it changed over a period of time?
-) How much foreign exchange earning has been generated by tourism? Has there been any change in average income per tourist per day? What is the contribution of foreign exchange earnings to GDP?
-) How standard are tourist accommodation facilities? Are they sufficient?

-) What is the situation of manpower supply required for tourism development?
-) What is the pattern of growth in tourist arrivals by different airlines?
-) What is government's tourism development expenditure and how much revenue has been generated from tourism related tax revenues?
-) Do tourist arrivals vary proportionately or less than in proportion to changes in tourism development expenditure? What is the effect of increased tourism infrastructure on tourist arrivals?
-) Does revenue generation from tourism vary proportionately or less than in proportion to changes in tourism development expenditure? What is the effect of increased tourism infrastructure on revenue generation from tourism?

Limitations of the Study

This study suffers from the following limitations:

The data problem is very acute in Nepal. This study has been completed mainly by obtaining information from published sources.

In 1996, there were more than 560 million global travelers generating a total global income of over 3.6 trillion US dollars (Alwis 1997, 23). There were 255 million employed in the industry, which is 1 every 9 of the world's total workforce. The industry globally generated a consumption value of US\$ 2.1 trillion, accounting for a 10.7 percent share of the total. The industry contributed to 10.4 percent of the world's total tax revenues, amounting to US\$ 766 billion. Global travel industry growth has been averaging between 3-4percent during the last decade. In Asia, where its economies are growing at rapid speeds, travel growth has averaged 6-8 percent and is continuing to grow with much vigor (Alwis 1997, 23).

A large proportion of tourism in developing countries constitutes nature-based tourism, in particular, tourism in parks and protected areas, a significant number of which are located in mountainous regions (IUCN 1994). Their potential for tourism has been well exploited, for example, in the Western European Alps, the North American Rockies, and, to some extent, the Himalayas (Nepal, 2000). While Nepal has several natural, cultural and ethnic advantages

which could be exploited in numerous ways to develop its tourist sector, the historical experience has been such that Nepal's relative share of world tourist arrival and revenues has not increased as it ought to be.

With no formal tourism development, Nepal a remote South Asian Country may be visited only by few tourists. Unless it has an international airport, several hotels, many restaurants and a wide range of interesting activities for temporary visitors, it cannot compete in the tourists' list of destinations. To become as successful a destination as Hawaii, visited by more than six million people in 1993, Nepal requires more than exotic scenery, a mild climate, mountains, and a friendly, welcoming ambience. Decisions had to be taken about how to develop the tourist destinations, infrastructure and tourism facilities.

More specifically, the study attempts to reveal the above by way of analyzing the following:

-)] What planning efforts have been made for tourism development in Nepal? How has tourism planning evolved in economic development plans of Nepal?
-)] What is the pattern of tourist arrivals? What is the tourists' demand for modes of transportation? Has it changed over a period of time?
-)] What is the significance of gender issues in Nepalese tourism? What is the proportion of male and female tourists?
-)] How aged are the tourists visiting Nepal? Has there been any change in their average age?
-)] Is there any seasonality in Nepalese tourism? How is the seasonality pattern of tourist arrivals?
-)] Which continents or countries generate most tourists? Is there any change in the sources of origin of tourists?
-)] What is the major purpose of visit by the tourists? Is there any difference in the purpose of visits by different nationalities? How significant is the trekking tourism in Nepal?
-)] What is the average length of stay by tourists? Has it changed over a period of time?
-)] How much foreign exchange earning has been generated by tourism? Has there been any change in average income per tourist per day? What is the contribution of foreign exchange earnings to GDP?
-)] How standard are tourist accommodation facilities? Are they sufficient?
-)] What is the situation of manpower supply required for tourism development?
-)] What is the pattern of growth in tourist arrivals by different airlines?
-)] What is government's tourism development expenditure and how much revenues it has

been generating from tourism related tax revenues?

-) Do tourist arrivals vary proportionately or less than in proportion to changes in tourism development expenditure? What is the effect of increased tourism infrastructure on tourist arrivals?
-) Do revenue generation from tourism vary proportionately or less than in proportion to changes in tourism development expenditure? What is the effect of increased tourism infrastructure on revenue generation from tourism?

Objectives

1. Assess the nature of tourism planning.
2. Analyze the pattern of growth in tourist arrivals.
3. Analyze the demand and supply sides of tourism
4. Estimate the functions explaining the role and impact of increased tourism development expenditure and tourism infrastructure on tourist arrivals and on revenue generation from tourism.

XXXXXXXXXXXXXXXXXXXXXXXXXXXX

Development through tourism has been compared to fire, which can be a creator if properly managed, and a destroyer if allowed to take its own course (Sharma 1995, 2). Unlike other forms of development, it is mostly resources (environment, flora, fauna, unique adventure opportunities, scenic and visual amenities, cultural elements, etc.), their characteristics, quality, and forms of consumption that constitute the core of tourism development. That is why the concept of sustainable tourism is becoming more and more popular. Sustainable tourism is directed towards striking a balance between the number and activities of tourists and the capacity of the resource system to support those activities without impairment, degradation or depletion of the resources that make development possible.

Like other developing nations, Nepal has also sought and attracted technical assistance from overseas consultants to prepare tourism development programs typically under the auspices of international agencies. Despite the fact that government continues to participate actively in such processes, skeptics have criticized several elements of the development and implementation of such programs. The major criticisms have been identified: a lack of consultation between local communities and consultants during the planning process, an inadequate commitment to implementation, and a failure to achieve national self-reliance

because of excessive dependence on overseas expertise (Douglas, 1994, 1997). This study provides brief overview of tourism planning practice with reference to Nepal. It examines the tourism development challenges facing Nepal and how these may be addressed

The present study was directed towards dealing with the following specific issues.

1. What is the state of tourism planning in the country?
2. What is the state of tourism development in the country in the following context?
 - What is the nature of demand for Nepalese tourism?
 - Who demands more for Nepalese tourism?
 - When is the demand for Nepalese tourism?
 - Why is there a demand for Nepalese tourism?
 - How the demand for Nepalese tourism has benefited the host country?
 - How far the supply side is enough to meet the demand for Nepalese tourism?
 - Has there been any change in demand for and supply of Nepalese tourism over a period of time?
 - What is the relationship of tourist arrival and tourism earnings with tourism expenditure, tourist accommodation and other factors?
3. How are the national perspectives of tourism reflected at local levels?
4. What is the state of tourism in Nagarkot? What are the effects of tourism in Nagarkot? Have they changed over a period of time?

Chapter 2

Conceptual Framework and Review of Literature

Researches on sustainable development of tourism are not well represented. Many authors discuss the lack of systematic reviews of the effects of tourism and development (Cleverdon 1979; Wood 1991; Pearce 1992; Marsh 1993). Because the scope of tourism includes facets of many diverse fields, including economics, geography, environment, ecology, anthropology, and sociology, no one study has attempted to compile the literature from the manifold sources to create a synthesis. The current review collects literature from many of the fields that comprise the industry of tourism to analyze its various effects. This information is used to create greater understanding of tourism's effects so that tourism planners will have the background to make informed decisions when developing tourism.

Tourism is such a subject area of academic consideration that lacks conceptual and theoretical base. It is still not considered as a separate discipline despite of its popularity. The recognition of its importance by governments of many countries has accelerated the study of tourism. Tourism as a subject is showing signs of early maturity with a growing academic community (Cooper *et al.* 1996, 3). This chapter is therefore devoted to review of literature on tourism concepts, tourism planning and policies, tourism demand and its supply components, estimating tourism demand functions, and studies on Nepalese tourism.

2.1 Review of conceptual framework

In developing countries, tourism is often regarded as a potent ‘modernizing’ influence on values and morals. Some governments see these effects as beneficial, and their policy decisions encourage the tourism in all areas of the country. In other cultural contexts modernization is regarded as a cause for concern, and ways are sought to limit the transfer of new values from tourists to the local community. MacCannell (1976) has commented on one extreme form of development, which he referred to as plantation tourism. Tourism may be regarded as a new kind of industry building factories called resorts and amusement parks. Some come close to imprisoning tourists within resort compounds.’ MacCannell pointed out that this type of plantation tourism is exploitative on both sides; tourists have minimal contact with local people, and locals do not benefit from the money that tourism generates because it is retained by the resort’s owners, and they are often based in the tourists’ countries of origin (Laws 1995, 11).

2.1.1 Benefits and costs of tourism

Although tourism can create many economic benefits for a destination, there are also costs associated with its development. In China, modern hotels are giant consumer of energy. To ensure the supply of electricity and water to the international hotels, energy departments frequently have to switch off supplies to factories, ignoring their urgent appeals (Ma Ruilin, 1992).

Tourist activity results in different outcomes for the stakeholders in an area, its residents, investors and employees. Those entrepreneurs catering to tourists’ needs may prosper, new

leisure amenities may be built to the benefit of residents as well as visitors, new jobs may be provided resulting in further increases in economic activity, and beauty areas or endangered species may gain from the increased protection which tourists' interest causes. On the other hand, retail and residential property values may be forced up, to the detriment of existing businesses and residents, beaches and other areas may be fenced off, 'improved' and access limited to those able to pay for entry. In summary, introducing or expanding tourism in any destination results in changes (Laws 1995, 73/74).

The positive side of the tourism industry is well documented. Tourists' spending can enhance an area by bringing wealth and stimulating employment, enterprise and infrastructure development. The interest which drew tourists to a particular area can encourage the preservation of its unique features of local heritage and culture, and give a rationale for the protection of natural environments of the ecology of the area while providing a source of finance to improve access to them for visitors and residents alike (Laws 1995, 3).

In its mass forms, tourism is a very recent phenomenon, and until recently, most destination development was carried out on a speculative or ad hoc basis. Few had considered the socio-economic impacts likely to result while others had not considered the competition from alternative destinations. Destinations are highly varied, and each faces a unique set of problems and opportunities. Consequently, it is rather difficult to make generalized statements about tourist destinations which are universally applicable: it is precisely the differences between places, and the individuality of visitors, residents and the natural environment and ecology of each destination which make tourism both an exciting human activity and a fascinating field of study (Laws 1995, 4).

Tourism brings both positive and negative impacts on the quality of life of a nation, a province, or a community

(Goeldner 2000, 33/34). The following are the positive impacts or benefits:

-) Provides employment opportunities
-) Generates a supply of needed foreign exchange
-) Increases income
-) Creates increased gross national product
-) Can be built on existing infrastructure
-) Develops an infrastructure that will also help stimulate local commerce and industry
-) Can be developed with local products and resources
-) Helps to diversify the economy
-) Tends to be one of the most compatible economic development activities available to an area, complementing other economic activities
-) Spreads development
-) Has a high multiplier impact
-) Increases governmental revenues
-) Broadens educational and cultural horizons and improves feelings of self-worth
-) Improves the quality of life related to a higher level of income and improved standards of living
-) Reinforces preservation of heritage and tradition
-) Justifies environmental protection and improvement
-) Visitor interest in local culture provides employment of artists, musicians and other performing artists, thereby enhancing the cultural heritage
-) Provides tourist and recreational facilities that may be used by a local population

-) Breaks down language barriers, sociocultural barriers, class barriers, racial barriers political barriers, and religious barriers
-) Creates a favorable worldwide image for a destination
-) Promotes a global community
-) Promotes internal understanding and peace.

Similarly, the negative impacts or costs of tourism are as follows:

-) Develops excess demand for resources
-) Creates the difficulties of seasonality
-) Causes inflation
-) Can result in unbalanced economic development
-) Creates social problems
-) Degrades the natural physical environment and creates pollution
-) Degrades the cultural environment
-) Increases the incidence of crime, prostitution, and gambling
-) Increases vulnerability to economic and political changes
-) Threatens family structure
-) Commercializes culture, religion, and the arts
-) Creates misunderstanding
-) Creates conflicts in the host society
-) Contributes to disease, economic fluctuation, and transportation problems

The challenge to countries in an era of global travel and investment is to retain their own identity, yet absorb modernism. Tourism produced pressure on destination to conform to

internationally accepted standards of accommodation and food hygiene, and to be tolerant of visitors, relatively unstructured vacation behavior (Laws 1995, 3).

Due to the positive and negative impacts, tourism needs to be planned and managed in such a way that the benefits outweigh the costs. The real challenge in tourism lies in getting the right balance and taking steps to lessen the unfavorable impacts. Tourism development should be a part of overall economic development and should be undertaken in a sustainable manner.

2.1.2 Tourism and the environment

The economics literature on tourism and development has paid little attention to estimating the effects of environmental change on tourism receipts. Much of the literature has instead been concerned with quantifying the foreign currency earnings which developing countries receive from international tourism (for example, English 1986; Lee 1987) and the income and employment generated by tourism (for example, Archer 1989; Fletcher and Archer 1991; Pye and Lin 1983). Although the complex nature of the tourism product has deterred researchers from estimating supply functions for tourism (for example, Sinclair and Stabler 1991), demand has been more widely studied (for example, Archer 1976, 1980; Gray 1966; Quayson and Var 1986; Witt 1980; Witt and Martin 1987, 1988; Johnson, P., and J. Ashworth 1990; Syriopoulos 1995; Greenidge 2000).

The rapid global growth of tourism has led to a devastating impact on the environment.

Growth creates problems, especially where fragile and remote environments are visited. To enable tourists to experience a destination's primary resources, secondary resources, such as accommodation, transport facilities and service infrastructure have to be provided, resulting in the major physical restructuring of the destination by the extension of its built environment (Cater and Goodall, 1992).

The impact of tourism on the physical environment needs to be taken into consideration when planning tourism developments (Witt *et al.* 1995, 16). Tourism, like any other large-scale human activity, can have adverse consequences for the land, vegetation and wildlife in the areas where it occurs (Laws 1995, 91). The ability of the resource to absorb tourists is an important physical constraint.

It is not difficult to make the case that tourism is damaging to the environment. A growing public awareness of, and interest in, the environment has led pressure groups like 'Friends of the Earth' and Tourism Concern to articulate widespread concern that exerts increasing influence upon commercial and government sections of the industry. It has been argued that environmental destruction can even occur in those destinations that promote so-called 'alternative' tourism, which is alleged to be more sustainable than other forms of the industry (Burns and Holden 1995). While emphasis is frequently laid on the negative effects of tourism on the natural and man-made environment, it must be noted that benefits can also accrue (France 1997, 82). Both of these are summarized in Table 2.1 (France 1997, 83):

The concern for environment has led to the development of alternative tourism.

2.1.3 Alternative tourism

In recent years alternative tourism has assumed a greater significance. Alternative tourism is applied to tourism, which does not damage the environment, is ecologically sound, and avoids the negative impacts of much large-scale tourism development. It is thought to consist of smaller developments, or attractions for tourists, which are set in and organized by villages or communities. These are seen as having fewer negative effects, social or cultural, and a better chance of being acceptable to the local people than mass tourism. Conventional tourism demands large-scale organization and resources not usually available locally. Alternative tourism emphasizes cultural sustainability. It does not damage the culture of the host community but encourages a respect for the cultural realities (de Kadt 1992, 50/51).

Table 2.1: Environmental costs and benefits of tourism

<u>Benefits</u>	<u>Costs</u>
) Conservation of natural areas and wildlife) Environmental appreciation) Rehabilitation and often also transformation of old buildings and sites into new facilities) Introduction of planning and management	) Energy costs of transport) Loss of aesthetic value) Noise) Air pollution) Water pollution and the generation of waste) Disruption of animal breeding patterns and habits) Deforestation) Impacts on vegetation through the collection of flowers and bulbs
Sources: Mathieson and Wall 1982, Lea 1988, Pearce 1989, Ryan 1991, Burns and Holden 1995.	

Alternative tourism is obviously not alternative to all other forms of tourism, but rather to the least destined or most undesired type of tourism, essentially what is known as mass tourism. Alternative tourism represents an alternative to mass or large-scale tourism. It is an alternative to large numbers of people, tasteless and ubiquitous

development, environmental and social alienation, and homogenization. Alternative sound good but there are also problems and costs associated with it (Butler 1992, 31).

The rejection of mass tourism is not new. It is necessary to examine why anyone should want to promote alternative forms of tourism, given the success and appeal of mass tourism. The answer would appear to lie in an assumption that the alternative forms of tourist (and tourist) will have fewer and less severe negative effects on destination areas and their populations without diminishing the positive economic effects (Butler 1992, 32). One can make simplistic and idealized comparisons of hard and soft, or mass and green tourism, as presented in Table 2.2:

The comparison of mass versus green tourism development strategies indicates that one is obviously undesirable and the other is close to perfection. The concept of soft, green, alternative tourism seems particularly attractive. However, it is not only inadequate, but grossly misleading as well. Mass tourism need not be uncontrolled, unplanned, short-term, or unstable; and green tourism is not always and inevitably considerate, optimizing, controlled, planned, and under local control. It is in many ways dangerous and problematical to represent something in the manner that alternative tourism is often presented. To promote the acceptance and development of alternative forms of tourism without being confident of the end result can potentially be more harmful for a destination and its population than no development at all, or even limited mass tourism (Butler 1992, 37).

Table 2.2: Mass versus green tourism: Tourism development Strategies

Mass tourism	Green tourism
1. Development without planning 2. Project-led schemes 3. District level planning only 4. Scattered development 5. Building outside existing settlements 6. Intensive development in areas of finest landscapes 7. New building and new bed capacity 8. Building for speculative unknown future demand 9. Tourism development everywhere 10. Development by outside developers 11. Employment primarily for non-natives 12. Development only on economic grounds 13. Farming declines, labor force into tourism 14. Community bears social cost 15. Traffic plan favors cars 16. Capacity for high season demand 17. Natural and historical obstacles removed 18. Urban architecture 19. High technology and mechanized tourist installations	1. First plan, then develop 2. Concept-led schemes 3. Regional coordination of district plans 4. Concentrated development 5. Development within existing settlements 6. Fine landscape conserved 7. Re-use existing buildings – better utilization of bed capacity 8. Fixed limited to development 9. Development only in suitable places, where local services already exist 10. Native developers only 11. Employment according to local potential 12. Discussion of all economic, ecological and social issues 13. Farm economy retained and strengthened 14. Developer bears social costs 15. Traffic plan favors public transport 16. Capacity for average demand 17. Natural and historical obstacles retained 18. Vernacular architecture 19. Selective mechanized development – low tech development favored

Source: Lane 1988 quoting Butler (1992, 36).

The above analysis has been critical of alternative tourism since so much has been assumed to be positive about alternative tourism without critical evaluation. The above analysis should not be taken as a rejection of the concept per se, but rather as an expression of concern and doubt only. There are situations where alternative tourism is

better than mass tourism. This is not an attempt to dismiss alternative tourism as being impractical or undesirable. The development of alternative tourism should be supported where it is clearly the most appropriate form of tourism, but reaching this decision requires consideration of much more than counting the negative effects of mass or conventional tourism.

2.1.4 Sustainability

In recent years, the emphasis has been placed on sustainable tourism. According to Butler, the term sustainable tourism development, entails 'tourism which is developed and maintained in an area (community, environment) in such a manner and at such a scale that it remains viable over an indefinite period and does not degrade or alter the environment (human and physical) in which it exists to such a degree that it prohibits the successful development and well being of other activities and processes' (Butler 1992).

According to WTO, sustainable tourism is the one, which improves the quality of life of host communities, provides a high quality experience for the guest, and maintains the quality of environment on which they both depend (World Tourism Organization 1993). Sustainable tourism development seeks the development of destination areas through the promotion of economic developments, which conserve local natural, cultural, and built resources (Hunter and Green 1995).

Numerous researchers agree that an absence of sustainable development will lead to a depletion of natural resources upon which the tourism industry depends (Boyd and Butler 1996; Hall 1995; Leiper 1995; Murphy 1995; Pearce 1989). However, when it

comes to practicing sustainable development, several problems arise, not the least of which is balancing the development of nature-based tourism with urban development. Unfortunately, in Nepal, the history of many local governments and adjoining areas has been one of exploitation and degradation of natural resources to enable urban growth and development. The desire for home ownership and the more affordable land prices in suburbs and satellite townships close to growing cities pose a serious and ongoing threat to the continued existence of pristine environments.

2.1.5 Ecotourism

As tourism moves into the twenty-first century, the planners and enterprises will have to make the environment a priority. Ecotourism, nature tourism, green tourism, low-impact tourism, adventure travel, alternative, environmental preservation, symbiotic development, responsible tourism, soft tourism, appropriate tourism, quality tourism, new tourism, sustainable development, and sustainable tourism all are monikers for similar types of tourist activities and developments (Goeldner *et al.* 2000, 555). Of all the terms, ecotourism and sustainability are most frequently used. The principle of both is to sustain or even enhance the quality and attractiveness of the natural environment. Ecotourism has been defined in several ways but the workable one is simply 'responsible travel to natural areas that conserves the environment and sustains the well-being of local people.' Ecotourism also implies a managed approach by the host country or region which commits itself to establishing and maintaining the site with the participation of local residents, marketing them appropriately, enforcing regulations, and using the proceeds of the enterprise to fund the area's land management as well as community development (Goeldner *et al.* 2000, 556).

Ecotourism is widely perceived as a subset of alternative tourism, which places primary emphasis on the natural environment as the main motivation of travel.

Ecotourism or nature tourism is thus one class of tourism often cited as a type of tourism that attempts to minimize the negative effects of traditional tourism. A large controversy exists over the true definitions of nature tourism and ecotourism. Most tourism authorities agree that to be successful, ecotourism should promote conservation of natural resources and also provide financial gain for the host country and the local people (Ashton 1991; Emmons 1991; Cater 1994). In order for a development project, such as tourism, to be sustainable, a system of checks and balances must be put in place to safeguard the local environment and cultures (Hunter & Green 1995). Often this involves creating protected areas, including national parks and biosphere reserves. Indeed, many areas are conserved only because they are tourist attractions (Hunter and Green 1995).

2.1.6 Tourists carrying capacity

In ecotourism, carrying capacity for visitors is of great significance. The idea of carrying capacity is the central to the concept of sustainability. It is defined as the maximum number of daily visitors that the area can receive without damaging its attractive features. Maldonado *et al.* (1992) suggested that the calculation of carrying capacities is an important method of minimizing negative environmental impact and sustainability. They also presented their calculations of the carrying capacity for the

Guayabo National Monument, a small area of archaeological significance in Costa Rica. The concept can be applied to other destinations as well.

Despite of the progressive nature and importance of this work, the calculations are dependent on assumptions, which are in some cases arbitrarily chosen (such as the maximum number in a group, and the ideal management capacity) and in others widely variable (such as the degree of slope). Other assumptions and conditions affecting the physical and management capacity of the area (such as the availability of guides, maps, rest spots and the incidence of low cloud cover) might be thought of as relevant, but are not included (Mowforth and Munt 1998, 106).

Clark (1990) pointed out the need to add a further dimension to these calculations by incorporating the social carrying capacity to measure the level at which tourist activity becomes a cause of social unrest and/or tourist discomfort. Watson and Kopachevsky (1996, 177) argued that the result of carrying capacity measurements will always depend on the context of the situation being measured and that this context will vary not just with the physical and social environment, but also with the values of those asking the questions and establishing the conditions for measurement. They identified different types of carrying capacity, such as ecological-environmental capacity, physical-facility capacity, social-perceptual capacity, economic carrying capacity, and psychological capacity. It is to be noted that carrying capacities may also vary with time. The visitor carrying capacity needs to be recalculated over time as visitor numbers increase. Thus calculation changes with both time and perceptions or values. Due to

this, there has been a growing demand for setting limits of acceptable change, or LACs (Mowforth and Munt 1998, 249-251).

Although the view of sustainable tourism is generally accepted, how it can be implemented, given the loose and fragmented structure of the tourism industry, including the public sector is another matter. Ideally, the principle of sustainability should be central to the tourism policies. However, what does it entail in practice for tourism firms and organizations? What constitutes good environmental practice by the tourism industry and how can tourism firms and organizations monitor their activities in this context? Is the tourism industry ready to accept its responsibility for the environment?

2.1.7 Tourism and sociology: Effects on society - Security and crime

Unfortunately, tourists can be easy prey for criminals. Tourists do not know about dangerous areas or local situations in which they might be very vulnerable to violent crimes. They become easy marks for robbers and other offenders because they are readily identified and are usually not very well equipped to ward off an attack. In high crime areas, active efforts should be made to inform visitors and guests. Crimes against tourists result in bad publicity and create a negative image in the minds of prospective visitors. Thus, tour companies tend to avoid destinations that have the reputation for crimes against tourists. Protecting tourists from offenders is essential to the survival and growth of the tourism industry (Goeldner *et al.* 2000, 322).

As a rule, both hosts and guests in any society can learn from each other. Beneficial social contact and planned visits to observe local life and culture do much to build appreciation for the indigenous culture. Tourism often facilitates a transition from rigid authoritarian social structure to one that is more sensitive to the individual's needs. When societies are closed from outside influences, they tend to become rigid. By encouraging visitors, this policy is changed to a more moderate one. The preservation of wildlife sanctuaries and parks as well as national monuments and other cultural resources is often encouraged when tourism begins to be a force in the society.

2.1.8 Barriers to travel

While travel has become a popular social phenomenon, there are a number of reasons why people do not travel extensively, or do not travel at all. The barriers to travel may be classified into broad categories (Goeldner *et al.* 2000, 338):

-) Monetary constraints
-) Lack of time
-) Health limitation
-) Family obligations and inconveniences
-) Lack of interest
-) Fear and safety

When motivation to travel is sufficiently powerful, the barriers may be overcome.

2.1.9 Tourism Policy and Planning

(a) Tourism policy

Tourism policy is defined as ‘a set of regulations, rules, guidelines, directives, and development/promotion objectives and strategies that provide a framework within which the collective and individual decisions directly affecting tourism development and the daily activities with a destination are taken’ (Goeldner *et al.* 2000, 445). The purpose of the tourism policy is to provide maximum benefits to the stakeholders of while minimizing negative impacts. The stakeholders could be residents of the host destination, local/municipal/regional/national governments, local/regional/national environmental groups, local visitors/excursionists, remoter visitors/tourists, tourism industry sectors, for example, transportation, accommodation, food service, attractions, entertainment, events, commercial outdoor recreation, and commercial visitor service, destination management organization, culture/heritage groups, and social/health/education groups.

A tourism policy is defined as a strategy for the development of the tourism sector that establishes objectives and guidelines as a basis for what needs to be done (Akehurst 1992, 229). This means identifying and agreeing objectives; establishing priorities; placing the roles of national governments, national tourist organisations, local governments and private-sector businesses; and establishing possible co-ordination and implementation of agreed programmes to solve identified problems, with monitoring and evaluation of these programmes. In this connection, Akehurst concluded that any post-1992 tourism policy would have to be judged on how well it meets a number of criteria and factors, including the following (Akehurst 1992, 229-230):

- J Is it clearly stated, well communicated and well co-ordinated?
- J Does it identify and prioritise the policy problems?
- J Is there a consistency of approach over time in the implementation, monitoring and evaluation of agreed action programmes combined with a flexibility to accommodate unforeseen changes?
- J Is it based on a detailed understanding and knowledge of the tourism phenomenon, with information flows helping business decision making?
- J Does it channel and distribute the impacts of tourism?

Various financial incentives in the form of tax concessions or credit are commonly given by third World governments to encourage investment in tourism, but there is little evidence to show how useful they are (Lea: 1988, 78). Third World countries can achieve greater control over their tourism industries but such measures all involve government intervention and none is very effective in situations where there are more beds than tourists to fill them.

It is important to explicitly identify the geographic area to which a tourism policy applies. Tourism policies are part of the social, economic, political policies that govern and direct the functioning of the overall society within which tourism exists and functions. In brief, there are a number of more general policies that are controlled by governments, as well another industry sectors and organizations, and they may have a significant effect on the success of tourism and tourism destinations. These include the following (Goeldner *et al.* 2000, 450):

- J Taxation policy – affects costs and thus profitability
- J Interest rate policy – affects costs and thus profitability
- J Bilateral air agreements – determines foreign visitor access
- J Environmental policy – limits growth and access to attractive but sensitive areas

-) Customs and immigration policy – can facilitate or hinder international visitation
-) Communications policy – can restrict use of certain advertising media
-) Minimum wage policy – can affect quality of workforce
-) Welfare policy – can influence nature and behavior of workforce
-) Education policy – can affect quality of workforce
-) Cultural policy – can affect preservation and promotion of national heritage
-) Foreign investment policy – can affect availability of investment capital
-) Local zoning policy – can restrict or encourage tourism facility development
-) National/local policy – can drastically affect destination attractiveness
-) Infrastructure policy – can make destination safer for visitors, or restrict resident travel to foreign destinations
-) Currency/exchange rate policy – directly affects destination cost competitiveness
-) Legal system – determines consumer/visitor protection legislation

The policy and plan formulation should first prepare and evaluate development scenarios. There is seldom a single ideal set of policies and plans, but rather optimum ones that balance costs and benefits. Alternative policies and plans are evaluated according to several factors – meeting the development objectives; optimizing economic benefits; reinforcing positive and minimizing negative environmental and socio-cultural impacts; and effectively competing with other tourist destinations (World Tourism Organization 1994a, 15). Based on this evaluation, the final policies and plans are selected and refined.

Tourism policy can take many forms. Some of the basic issues that need to be addressed in policy formulation are (World Tourism Organization 1994a, 23):

-) The reasons for developing tourism.
-) The forms of tourism to be developed and related types of international and domestic tourist markets to be attracted.
-) Whether 'market-led' – developing forms of tourism that will attract a broad market regardless of the impact of development or 'product-led' – developing forms of tourism that are most compatible with the environment and society, should be developed. Usually the attempt is to balance these two approaches.
-) The extent of development to be allowed – should tourism be limited, or encouraged to become a major sector of the economy.
-) Growth rate of tourism to be aimed for.
-) The respective roles of the government and private sectors.
-) Environmental protection, cultural conservation, and sustainable development considerations.
-) General location and staging of development.

The other types of policy may, for example, relate to multi-use of tourism infrastructure, the inter-relationships between domestic and international tourism, education and training programs, and social integration of tourism, and investment and employment considerations.

(b) Tourism planning

(i) Importance of planning

Tourism policy formulation and tourism planning are very directly related to one another. The similarities are (Goeldner *et al.* 2000, 514):

1. They both deal with the future development of a tourism destination
2. They both emphasize the strategic dimensions of managerial action, although planning must also address a number of tactical concerns.

Tourism policy formulation and tourism planning are different also. The dissimilarities are (Goeldner *et al.* 2000, 514):

1. Policy formulation is definitely very ‘big picture’, while much of planning is characterized by an attention to detail.
2. Policy formulation is a creative, intellectual process, while planning is generally a more constrained exercise.
3. Policy, and particularly its visioning component, has a very long-term strategic emphasis, while planning tends to be more restrictive in its time horizon. A one-year planning cycle is not uncommon, although three- to five-year plans a possibility. In contrast, destination visions may have a 5-, 10-, 50-, or even a 100-year time horizon.
4. Policy formulation must allow for as yet unseen circumstances and technologies to be considered. In contrast, planning tends to assume current conditions and technologies, with some allowances for predictable change.
5. Policy formulation tends to emphasize a systematic determination of ‘what’ should be done in long-term tourism development, while planning tends to emphasize the ‘how’ for the achievement of specific destination goals.

Thus policy formulation and planning to appear to have certain commonalities, they are, in effect, quite distinct processes.

A careful tourism planning is necessary because of the various advantages and disadvantages associated with tourism, which are already discussed at the beginning of this chapter. Tourism is not always a panacea. The over-development of tourism is not desirable. It is not good if there are too many visitors at the same place at the same time. It can have a harmful impact on life in the host country and on the visitors themselves. The over-commercialization of tourism is not at all desirable. Tourism development must be guided by carefully planned policy, a policy not built on balance sheets and profit and loss statements alone, but on the ideals and principles of human welfare and happiness (Goeldner *et al.* 2000, 516). Planning is critical to having sustainable development and protecting the environment. These are the various reasons why sound tourism planning is essential. Planning can maximize advantages of tourism and minimize the disadvantages.

Good planning defines the desired result and works in a systematic manner to achieve success. It should be able to eliminate problems and provide user satisfaction. The final user is the judge in determining how successful the planning has been. The experience of many tourism areas in the world has demonstrated that, on a long-term basis, the planned approach to developing tourism can bring benefits without significant problems, and maintain satisfied tourist markets (World Tourism Organization 1994a, 3). Places that have allowed tourism to develop without the benefit of planning are often suffering from environmental and social problems. These are detrimental to residents and unpleasant for many tourists, resulting in marketing difficulties and

decreasing economic benefits. These uncontrolled tourism areas cannot effectively compete with planned tourist destinations elsewhere.

Any form of economic development requires careful planning if it is to be successful in achieving the implicit or explicit objectives that underlie the development. The development of tourism will not be optimal if it is left entirely in the hands of private sector entrepreneurs for they are primarily motivated by shorter-term profit-and-loss related objectives (Cooper *et al.* 1998, 199). But on the other hand, if tourism development is dominated by the public sector then it is unlikely to be developed at the optimal rate from point of view of maximizing economic benefits. Therefore, tourism development planning requires careful cooperation and coordination of both the public and private sectors. In recent years, the emphasis of tourism development planning has moved away from the rigid 'grand design' master plan in favor of more flexible and reactive development plans (Cooper *et al.* 1998, 199). If tourism is to be incorporated into a country's development plan it must be organized and developed according to a strategy constructed on sound foundations. These foundations should take account of the coordination of the tourism-related sectors, and the supply and demand for the tourism product.

(ii) Nature of tourism planning

Planning is the process of selecting objectives and then determining the means by which those objectives will be achieved. An integral part of planning is choosing between alternative courses of actions for achieving the stated objectives. The planning process is basically comprised of the following steps (Collier: 1989, 298):

- 1) Establish a goal or objective

-) Define the present situation
-) Identify aids and barriers
-) Develop a set of action plans

In essence, planning for tourism development need not be radically or fundamentally different from planning in any other context. The basic steps outlined above will necessarily be a part of any tourism planning model with some degree of variations. It is the nature of the variations, however, which will distinguish tourism planning from other forms of planning (Collier: 1989, 299).

(iii) Leadership and organisation

Only recently being recognised is the great need for leadership and organisation in tourism development. Planning for tourism has not been materialised on many occasions for lack of organisation and leadership (Gunn: 1994, 52). Hence the importance of leadership and organisation in tourism planning.

(iv) Supply and demand

All sectors involved in the development of the supply side of tourism should strive toward meeting the desires and needs of the travel market. Whenever demand and supply are out of balance, planning and development should be directed toward improving the supply-demand match. Only through analysis of both demand and supply can a region, destination, or site know how to plan (Gunn: 1994, 53). All supply side components - attractions, transportation, services, information, and promotion - must be planned and developed to meet the needs of markets.

(v) Integrated planning

The tourism system requires integrated planning. Even though private and independent decision making is cherished by most enterprises in all tourism sectors each will gain by better understanding the trends and plans by others. The public sector can plan for better highways, water supply, waste disposal, parks and other amenities when private sector plans for attractions and services are known (Gunn: 1994, 54). Conversely, the private sector can plan and develop more effectively when public sector plans are known.

The tourism system does not operate in an isolated manner. Several factors need to be analysed and worked into plans for best future operation of the system (Gunn: 1994). These factors include: natural resources, entrepreneurship, finance, labour, competition, community, governmental policies, and organisation and leadership.

(vi) Diversity of tourism planning

In fact, tourism planning, as a concept, is characterized by a range of meanings, applications and uses (Williams 1998,131). It encompasses many activities; it addresses (but does not necessarily blend) physical, social, economic, business and environmental concerns and in so doing involves different groups, agencies and institutions with their own particular agendas. Tourism planning may be exercised by both the public and the private sectors and is subject to varying degrees of legal enforcement. It also works at local, regional, national and (occasionally) at international scales. To take tourism planning as if it were a single entity is

therefore highly misleading. The attempts to summarize a cross-section of applications that are located within the broad realms of tourism planning may be seen as provided in Table 2.3.

Table 2.3: Diversity of tourism planning

Planning sector	Typical tourism planning concerns/issues
Physical (land)	) Control over land development by both public and private sectors) Location and design of facilities) Zoning of land uses) Development of tourist transportation systems development of public utilities (power, water, etc.)
Economic	) Shaping spatial and sectoral patterns of investment) Creation of employment) Labor training) Redistribution of wealth) Distribution of subsidies and incentives
Social/cultural	) Social integration/segregation of hosts and visitors) Hospitality) Authenticity) Presentation of heritage and culture) Language planning) Maintenance of local custom and practice
Environmental	) Designation of conservation areas) Protection of historic sites/buildings/environments) Regulation of air/water/ground quality) Control over pollution) Assessment of hazards
Business and marketing	) Formation of business plans and associated products) Promotional strategies) Advertising) Sponsorship) Quality resting and product grading) Provision of tourist information services

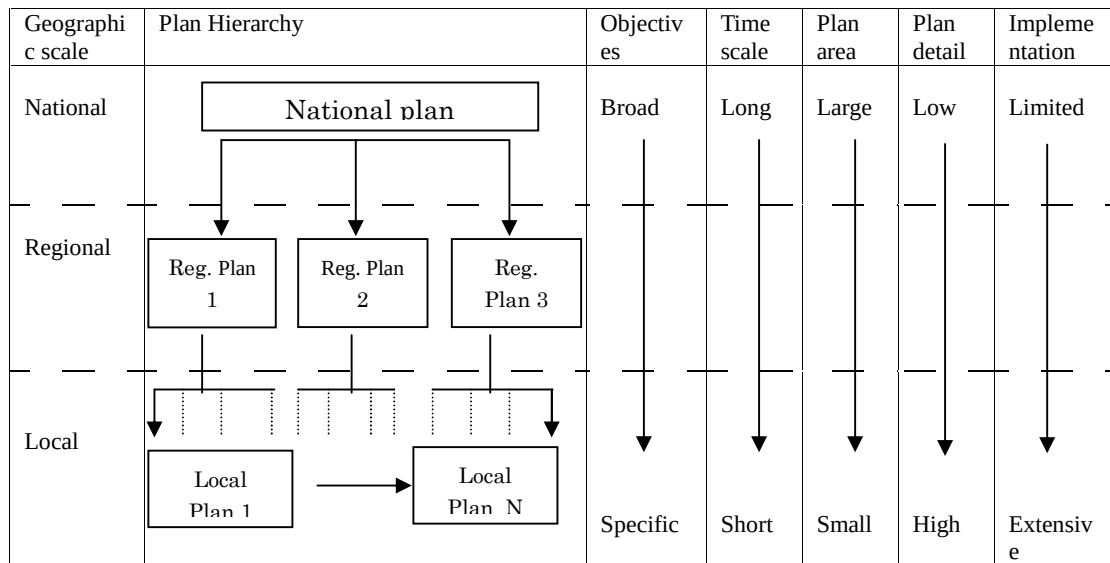
Adapted from Williams (1998,132).

(vii) Planning hierarchy

The use of geographical scale is a particularly valuable device for drawing out key differences in emphasis and application within tourism planning. Tourism planning at the national, regional

and local levels has been found addressed as indicated in Figure 2.1 (Williams 1998, 133) although one may distinguish various geographic scales of planning intervention in tourism.

Figure 2.1: A model of planning hierarchy



Adapted from Williams (1998, 133).

The geographic scales of planning intervention in tourism should be seen as interconnected rather than separate spheres of development. In a model framework, such a relationship might be viewed hierarchically: national policies set a broad agenda for development that directly shapes regional-level policies, whilst these in turn form a framework for locally implemented plans. As the scale of intervention diminishes, so the level of detail in planning proposals increases, but the overall aims of planning at each level remain complementary and consistent in direction. The neat hierarchical arrangements are rarely found.

The planned approach to developing tourism is now widely adopted as a principle, although implementation of the policies and plans is still weak in some places (World Tourism

Organization 1994a, 3). In some countries, plans had previously been prepared but these are not outdated. They need to be revised based on present day circumstances and likely future trends.

(viii) Long-range and strategic planning

Long-range comprehensive planning is concerned with specifying goals and objectives and determining preferred future development patterns. Tourism policies and plans should be prepared for relatively long-term periods – usually for 10 to 15 and sometimes 20 years – depending on the predictability of future events in the country or region. These may seem to be long planning periods, but it commonly requires this length of time to implement basic policy and structure plans. A planning approach, which has received considerable attention in recent years, is strategic planning. The outcomes of strategic and long-range planning may be similar, strategic planning is somewhat different. It focuses more on identification and resolution of immediate issues. Strategic planning typically is more oriented to rapidly changing future situations and how to cope with changes organizationally. It is more action oriented and concerned with handling unexpected events. It can be less comprehensive in its approach.

(ix) Failure of tourism planning

Cooper finds that a large number of tourism development plans are, to varying degrees, unsuccessful (1998, 214). The failure of plan may be at the design stage or at the implementation stage. At the design stage, plans fail because bodies lacking in planning expertise and experience construct them. More importantly, the plan does not give a clear statement with respect to its objectives- objectives must be achievable, unambiguous, and

non-conflicting. The plan also fails to take into account the wider issues relating to environmental and social impacts because it is driven uniquely by its financial returns. The projects are evaluated on a financial basis and take no account of social costs and benefits. The plan fails also because it does not make adequate market assessment. At the implementation stage, the plan fails because of the failure to introduce the required planning legislation in time, failure to coordinate private and public sectors, poor communication and infrastructure, and overexploitation of destination leading to a decline in quality of tourists.

2.1.10 Demand and supply components of tourism

An underlying concept in planning tourism is that tourism should be viewed as an inter-related system of demand and supply factors (World Tourism Organization 1994a, 5). The demand factors are international and domestic tourist markets and local residents who use the tourist attractions, facilities and services. The supply factors comprise tourist attractions and activities, accommodation and other tourist facilities and services.

(a) Demand components: Nature of demand components

The demand side of tourism is of great importance to any one who is involved planning future tourism developments. According to Goeldner *et al.* (2000, 396), the demand for travel to a particular destination will be a function of the person's *propensity* to travel and the reciprocal of the *resistance* of the link between origin and destination areas. Thus,

$$D = f(\text{propensity, resistance})$$

Where, D is demand.

Propensity to travel can be thought of as a person's motivation to travel, in other words, how willing the person to travel, what types of travel experiences he or she prefers, and what types of destinations are concerned. Propensity is directly related to demand. Resistance, on the other hand, relates to the relative attractiveness of various destinations which in turn depends on several other factors, such as economic distance, cultural distance, the cost of tourist services at destination, the quality of service at destination, effectiveness of advertising and promotion, and seasonality. Resistance is inversely related to demand (Goeldner *et al.* 2000, 397).

Economic distance relates to the time and cost involved in traveling from the origin to the destination area and back. The higher the economic distance, the higher the resistance for that destination and, consequently, the lower the demand. Cultural distance refers to the extent to which the culture of the areas from which the tourist originates differs from the culture of the host region. In general, the greater the cultural distance, the greater will be the resistance. In some cases, however, the relationship might be the opposite. Similarly, the higher the cost of services at a destination, the higher the resistance to travel to that destination will be and, therefore, the lower the demand. As regards quality of service, the higher the quality of service at a destination, the lower the resistance will be for travel to that destination. The quality however is difficult to measure. What is quality to one tourist is not necessarily quality to another. The effect of seasonality on demand is quite apparent. The relative attractiveness of a given destination will depend on the time of year for which a vacation is planned (Goeldner *et al.* 2000, 399).

There are several measures of actual demand (Goeldner *et al.* 2000, 399):

-) Visitor arrivals
-) Visitor-days or visitor-nights
-) Amounts spent

Data on visitor-days or visitor-nights are much more valuable to tourism planners than are data on the number of arrivals. It is calculated as under:

Visitor-days or visitor-nights = Number of visitors x Average length of stay.

An amount spent is the meaningful measure of demand. It is calculated as under:

Amount spent in \$ = no. of visitor-days or visitor nights x average expenditures per day/night

Economic multipliers

In addition to the direct impact of tourism expenditures on an area, there are also indirect impacts. The indirect or multiplier impact comes into play as visitor spending circulates and recirculates. The visitor expenditure gives rise to an income that, in turn, leads to a chain of expenditure-income-expenditure, and so on, until leakages bring the chain to a halt. In a typical situation, not all of the income generated in each round of expenditure is respent. Some portion tends to be saved, and some portion tends to be spent outside the local economy. The greater the proportion of income spent locally, the greater will be the multiplier (Goeldner *et al.* 2000, 427).

The degree to which a local area is able to retain tourist income depends on how self-sufficient the local economy is. If the local economy is able to produce the goods and services tourists buy, the greater will be the multiplier effect. The more goods that have to be imported from outside the region, the smaller the multiplier will be (Goeldner *et al.* 2000, 427).

The benefits of spending by tourists spread through many sectors of the community, and can be traced through the multiplier effect. This method measures the direct spending power of visitors, and calculates how their initial spending around (and what it implies in employment) is amplified as the resident population subsequently spends some of the extra revenue earned as profit or income, thereby further stimulating economic activity (Laws 1995, 89).

When a tourist's spending injects funds into the economy of a host area, an economic effect occurs that is a specified number of times what was originally spent. Initially, this effect is thought of as an *income multiplier*, as tourist expenditures become income directly and indirectly to local people. However, increased spending necessitates more jobs, which results in an *employment multiplier* (Goeldner *et al.* 2000, 427). The major types of multipliers are as follows (Cooper *et al.* 1998, 134):

A *transactions (or sales) multiplier* that measures the amount of additional business revenue created in an economy as a result of an increase in tourist expenditure. Similar to this is the output multiplier.

An *output multiplier* that measures the amount of additional output generated in an economy as a result of an increase in tourist expenditure.

An *income multiplier* which measures the additional income (wages and salaries, rent, interest and profits) created in the economy as a result of an increase in tourist expenditure. However as mentioned earlier, the income, which accrues to non-nationals, should be excluded because the incomes they receive cannot be considered to be benefits to the area.

An *employment multiplier*, which is a measurement of either the total amount of employment, generated by an additional unit of tourist expenditure or the ratio of the total employment generated by this same expenditure to the direct employment alone.

A *government revenue multiplier* that measures the impact on government revenue, from all sources, associated with an increase of tourist expenditure.

Besides above, there is also the import multiplier that measures the value of imported goods and services (direct and secondary) generated by an extra unit of tourism expenditure (Witt *et al.* 1995,15).

Multipliers can be calculated for a country as a whole, a region or a local community. In general, the size of the economy is likely to affect the size of the multiplier. The tourism income multiplier is likely to be much small for a small local community than for a large community, because of the higher proportion of goods and services that will need to be imported into the area (Witt *et al.* 1995,16).

If we spend the money outside our country for imports, obviously it does not stimulate the

economy locally. Also, if it is put into some form of savings that are not loaned to another spender within a year, it also has the same effect as imports – not stimulating the economy. Thus, to get the maximum benefits economically from tourist expenditures, we should introduce as much of the tourist funds as possible into the local economy for goods and services rather than save the proceeds or buy a large amount of imports.

(b) Tourism supply and components

(i) Supply component

Tourism supply is a complex phenomenon because of both the nature of the product and the process of delivery. Principally it cannot be stored, cannot be examined prior to purchase, it is necessary to travel to consume it, heavy reliance is placed on both natural and human-made resources and a number of components are required, which may be separately or jointly purchased and which are consumed in sequence. It is a composite product involving transport, accommodation, catering, natural resources, entertainments and other facilities and services, such as shops and banks, travel agents and tour operators. Many businesses also serve other industrial sectors and consumer demands, thus raising the question of the extent to which suppliers can be considered as primarily suppliers of tourism. The many components of the product, supplied by a variety of businesses operating in a number of markets, create problems in analyzing tourism supply (Sinclair and Stabler 1997, 58):

The government can play a role in facilitating tourism development by improving the tourism infrastructure of a country. A major method by which the authorities can encourage tourism

development lies in the provision of investment incentives (Wanhill 1994, Ward and Hall 1994). Typically tourist projects, such as the construction of hotels, have a relatively high level of fixed costs arising from the initial capital investment and relatively low operating costs, that is, a high operating leverage. In order to reduce the business risk, and encourage investment, the preferred type of financial help, therefore, is that which reduces capital costs. Investment incentives may be provided automatically for tourism industry projects, or be discretionary and biased to encourage developments in specific locations or of specific types.

As tourist arrivals increase, the various supplies and services needed by hotels, catering and transport operators, and other facilities mean that tourism becomes a key element in the business environment for existing companies. The construction industry benefits from hotel and infrastructure projects, dairies, market gardeners and fruit farmers have new customers, garages are required to supply and service fleets of delivery vehicles and rental cars (Laws 1995, 85).

Considering that tourism is a composite of activities, services, and industries that deliver a travel experience, it is important to identify and categorize its supply components. The quality and quantity of these determine tourism's success in any area. Tourism supply components may be classified into four broad categories for discussion (Goeldner *et al.* 2000, 365):

(2) Natural resources and environment. This category constitutes the fundamental measure of supply – the natural resources that any area has available for the use and enjoyment of visitors. Basic elements in this category include air and climate, physiography of the region, landforms, terrain, flora, fauna, and bodies of water, beaches, natural beauty, and water supply for drinking, sanitation and similar uses.

(2) The built environment. This includes the infrastructure and superstructure developed within or upon the natural environment. This includes water supply systems, roads, communication net works, airports, railroads, roads, parks, hotels, restaurants, museums, places of entertainment, and similar structures.

(3) Transportation. This component is given attention since the tourist would be unable to reach and enjoy the natural and built environment without transportation.

(4) Hospitality and cultural resources. This includes social foundation of the destination – its culture, which consists of the language, customs, and religions of the residents, attitude of the residents toward visitors, courtesy, friendliness, sincere interest, willingness to serve and to get better acquainted with visitors and other manifestations of warmth and friendliness.

Among the various components of the tourism supply is the accommodation needs of the tourists. The following formulae for projecting accommodation needs, and example for determining average annual and high season demand, are set forth below (World Tourism Organization 1994a, 62):

Demand for beds:

No. of tourists (per time period) x average length of stay (in nights)

Demand for beds = -----

No. of nights (per time period) x accommodation occupancy factor

For example, to calculate annual beds demand:

$$\frac{150,000 \text{ tourists per year} \times 10 \text{ nights}}{365 \text{ nights} \times 75\% \text{ occupancy}} = 5475 \text{ beds}$$

For example, to calculate high season beds demand:

$$\frac{150,000 \text{ tourists per 4 months} \times 10 \text{ nights}}{365 \text{ nights} \times 95\% \text{ occupancy}} = 6580 \text{ beds}$$

Demand for rooms:

$$\frac{\text{No. of beds demand}}{\text{Average room occupancy (persons per room)}}$$

For example, to calculate annual rooms demand:

$$\frac{5475 \text{ beds}}{1.7 \text{ persons per room}} = 3220 \text{ rooms}$$

For example, to calculate high season rooms demand:

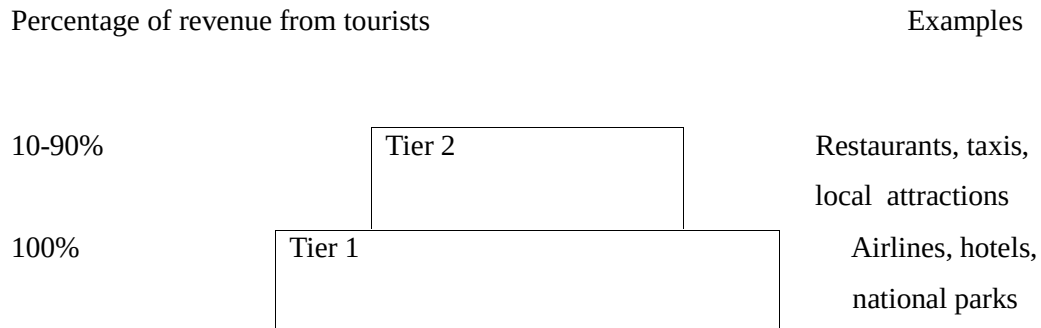
$$\frac{6580 \text{ beds}}{1.7 \text{ persons per room}} = 3870 \text{ rooms}$$

The above example provides projection for only one type of tourist market and accommodation. The formula should be applied to each of the tourist markets and related type of accommodation to determine the total accommodation for the country or region. Calculating high season demand is important because that season determines the maximum needs.

Allowance should be made for the percentage of tourists who stay in non-commercial accommodation such as with friends and relatives. If this factor is, for example, 5 percent, that percentage should be deducted from the calculated bed and room demand.

(ii) Two tiers concept

The supply side of tourism comprises the businesses and agencies that provide services to tourism (Smith 1995, 34). These include both profit-oriented firms as well as non-profit organizations such as destination marketing organizations and educational institutions. The importance of the supply-side perspective, however, goes far beyond just the classification of tourism businesses. The tourism industry may be defined as those enterprises and organizations involved in facilitating travel and activity away from one's usual environment. One challenge in this approach to defining tourism is, of course, the fact that many enterprises, which produce commodities for tourists, also serve non-tourists. A conceptual solution to this problem was proposed by the (Canadian) National Task Force on Tourism Data (1985). In an attempt to provide a supply-side definition of the tourism industry, they proposed dividing tourism businesses into two tiers as presented below:



Tier 1 firms are those that would not exist in the absence of tourism. Examples include hotels, airlines, cruise ships and travel agents. Tier 2 firms are those that would continue to exist in the absence of tourism, but in a diminished form. These businesses include taxis, restaurants, rental car agencies, gift shops, and attractions and events. However, one must set an operational definition for classifying the various commodity groups as either tier 1 or tier 2 (Smith 1995, 36).

(iii) Matching supply with demand

Matching tourism supply with demand is a challenge for the planner. Supply functions are always constrained by demand. The following formula can be used to calculate the number of hotel rooms (or other types of lodging) required (Goeldner *et al.* 2000, 365):

$$\text{Room demand per night (100\% occupancy)} = \frac{\text{No. of tourists} \times \% \text{ staying in hotels} \times \text{average length of stay}}{365 \times \text{average no. of persons per room}}$$

Any area must provide certain broad classifications of supply components. The components consist of natural resources, infrastructure, transportation, and hospitality and cultural resources. These factors may be combined in many ways to create the environment that the planners hope will attract tourists. Ideally, all the supply components perfectly match the demand at any given time. However this is unrealistic. Too much supply means unused facilities, which is uneconomic.

2.1.11 Tourism Demand Functions

Tourism demand functions embody the relationship between the demand for international tourism and those factors that influence this demand (Witt *et al.* 1995, 45). They are economic relationships that, when estimated, permit the impact of each of these factors on tourism demand to be identified. Clearly, the group of variables that influences international tourism demand will depend upon the purpose of visit under consideration. For example, the demand for business travel will depend upon where major business centers are located; whereas the demand for visits to friends and relatives will depend upon where close historical, cultural, etc., ties exist, which give rise to the location of friends/relatives in foreign countries. As by far the majority of international tourist trips take place for holiday purposes, and it is only for holiday trips that individuals are completely free to choose the destination, transport mode, and so on, the discussion on tourism demand shall be just concentrated on demand functions that explain the demand for international holiday tourism (Witt *et al.* 1995, 45).

Most economic studies have used the single equation methodology to explain tourism demand,

usually at the national level, as demonstrated by the reviews by Archer (1976), Johnson and Ashworth (1990) and Sheldon (1990). An example of a tourism demand function, where all variables occur at a given time period, t , is (Sinclair and Stabler 1997, 37):

$$D_{ij} = f(Y_i, P_{ij/k}, E_{ij/k}, T_{ij/k}, DV)$$

where D_{ij} is tourism demand by origin i for destination j , Y_i is income of origin i , $P_{ij/k}$ is prices in i relative to destination j and competitor destinations k , $E_{ij/k}$ is exchange rates between i and destination j and competitor destinations k , $T_{ij/k}$ is the cost of transport between i and destination j and competitor destinations k , DV is a dummy variable to take account of special events such as sporting events or political upheavals.

Studies have used a variety of other specifications of the tourism demand equations resulting in a wide range of estimated elasticity values. For example, an early study of US and Canadian outbound tourism (Gray 1966) found that per capita income elasticity values ranged between 4.99 and 7.01, implying that a rise in income of 1 percent results in an increase in tourism expenditure of between 4.99 percent and 7.01 percent. Artus (1972) found that the income elasticities of demand by European tourists for international tourism varied between 1.36 (Switzerland) and 3.84 (Austria). Witt and Martin (1987) found that the per capital income elasticity values for UK travel to European countries ranged between 0.34 (Cyprus, Gibraltar, Malta) and 2.91 (Netherlands) for independent air travel, and between 0.86 (Spain) and 6.35 (Greece) for inclusive tour air travel. The income elasticities for tourism in eighteen European destination countries estimated by Tremblay (1989) ranged between 0.33 (UK) and 11.35 (Portugal). Little's (1980) study of US demand in ten destination countries found income to be

an insignificant determinant of demand. Many more studies have provided additional estimates for a range of origins and destinations, as shown by Archer (1976), Johnson and Ashworth (1990) and Sheldon (1990).

Witt *et al.* (1995, 46) states that the holiday demand function generally takes the form:

$$Y = f(X_1, X_2, \dots X_k)$$

Where,

‘Y’ is the demand for foreign holidays to a given destination from a particular origin, ‘X₁,, X_k’ are the influencing variables, and ‘f’ denotes some function

Variables that may be included in the demand function have also been suggested.

2.2 Review of Nepalese literature

A number of studies are available on tourism in Nepal, each devoted to some aspects of Nepalese tourism. These studies ranged from macro level studies to more specific micro level studies. This section is intended to review the major literature on Nepalese tourism under the two broad headings: macro and micro levels.

2.2.1 Review of macro level studies

There are a number of macro level studies on tourism in Nepal dealing with problems and prospects of Nepalese tourism at aggregate level. This section is devoted to the review of such important macro level studies.

(a) The demand for tourism

The demand for tourism in Nepal was studied by Development Research and Communication Group (1981), which dealt with economics of tourism in Nepal. The study was based on time series and cross section analysis of tourism demand by using the ordinary least square method. The study estimated the demand for tourism on the basis of total tourist arrivals and total tourist expenditures. The demand functions for tourism were estimated using data from 11 tourist generating countries. As regards the choice of explanatory variables, the study included only those variables, which can more prominently affect the demand for tourism. It included population, real national income, tourist price and relative exchange rates, along with a dummy variable that reflects the effect of the politico-economic disturbances. The time trend was also included to explain long-term effects such as the change in taste, etc. Among others, the study revealed that the demand for Nepalese tourism was affected by real national income, tourist price, relative exchange rates, and a dummy variable that represents the politico-economic disturbances.

In a study of tourism in Nepal in connection with the study of integrated regional development in Pakistan, Nepal and Bhutan, Binder and Wibmer dealt with tourism at both macro and micro levels (2001). The macro aspect of the study was related to overview of tourism development in Nepal, followed by tourism policy and the role of

the private sector and the NTB. At the micro level, it dealt with the impacts of tourism (ecological, sociocultural, and economical) on a local level with the concrete example of the Khumbu region. They specifically mentioned that Nepal did not have experiences on the tourism sector because there had never been domestic tourism or a travel culture, leading to a low base of tourism. They opined that the potential of a country for international tourism was not realized, and tourism had never been a major sector for the government of Nepal. The tourism sector was left behind water, power and agriculture. At the micro level, the study pointed out that the economic impact on the Khumbu region is quite significant. At the micro level, the tourism has been emphasized so much that without tourism there would be little or no economic development. Tourism has provided an unparalleled opportunity to improve standards of living and the quality of life. The study also pointed out various economic, socio-cultural, and environmental problems in the region. The study is more or less based on the observation and the conclusions are not supported by any kind of secondary or primary data.

Understanding the demand for Nepalese tourism requires the analysis of secondary data at the macro level. A study on the effects of tourism on economic development of Nepal analyzed such macro economic variables and concluded a strong role and impact of tourism earning on the economic development indices, such as, tax revenue, governmental internal revenue and real gross domestic product (Sharma: 2003). However, the impact of tourism earning on per capital income remained insignificant. The income generated by trade, hotel, restaurant, and time have also been found pertinent variables that determine the development indices.

(b) Investment in tourism

The demand for tourism depends upon the size of investment made in the tourism sector. Rajbhandari (1990) analyzed investment opportunities in tourism in Nepal and opined that there exist immense potentialities for the promotion and development of tourism industry with apparently unlimited scope of expansion. Due to this, the study recommended that adequate investment should be made in hotels, resorts, and other tourism infrastructure. Thapa (1990) analyzed investment opportunities in tourism in Nepal, which indicated several investment opportunities, directly or indirectly linked to tourism industry. The study highlighted the various facilities and incentives provided by the Government to promote foreign investment in Nepal. It also examined foreign investment in tourist hotel and recreation facilities, NIDC's financial assistance to tourism industry, and investment in different types of star hotels. It recommended that time has come for commercial banks to advance loans for tourism development.

(c) Income and employment from tourism

The investment in tourism is usually considered productive if it is able to increase income and employment from tourism. Hence, the income and employment from tourism is one of the important areas of tourism studies. The Nepal Rastra Bank, the Central Bank of Nepal carried out a study on 'Income and Employment Generation from Tourism in Nepal' (1992). It estimated average per capita per day tourist expenditure at US\$ 15 (excluding international airfares) and the average length of tourists' stay at 9.3 nights per visit. Tourism and related

industries were estimated to have earned in total US\$ 56 million in 1986/87 of which tourism sector alone shared 92.7 percent (US\$ 52 million). Of the amount earned by tourism sector, earnings of hotels constituted 24.6 percent (US\$ 13 million), travel agencies 17.3 percent (US\$ 9 million), trekking agencies 2.8 percent (US\$ 1 million) and airlines 55.4 percent (US\$ 29 million). Altogether, 11,176 persons were found directly employed in the tourism sector. Of the persons directly employed, hotels shared 52.9 percent, airlines 24.5 percent, travel agencies 13.8 percent, and trekker agencies 8.8 percent. The study also made several recommendations to promote tourism industry in Nepal. Gurung (1993) in his study of tourism with social consideration emphasized that tourism is a strategy for economic development and for countries with limited resources, it could be the only viable path. The study revealed that tourism has economic benefits with social costs, and most studies on tourism impact do not go beyond the economic balance sheet. It pointed out that tourism is blamed for commercialization of art, culture, and religion but there are many instances where tourism has helped to revive traditional art and culture. It also pointed out in the form of matrix the relative roles of different actors like government, PATA, private operators, NGOs, and tourists. The matrix is seen as important because of the increasing emphasis on privatization in the recent years.

(d) Visit Nepal Year 1998

The tourism promotion requires the various activities to be undertaken from time to time. One of such activities undertaken to promote tourism in Nepal was the 'Visit Nepal Year 1998', which was conceived, initiated and undertaken in the year 1998. The doubts have been raised whether this particular activity was successful. Shrestha (1997) analyzed tourism policy in the light of Visit Nepal Year 1998. By referring back

to the Master Plan of 1972, the study indicated that all through fourth plan to eighth plan periods, policies spelled out were explicitly limited in terms of foreign exchange earning and creating employment opportunities. It observed that policies adopted in national plans were found to be shifting its weightage in each five-year period resulting discontinuity and inconsistency. It stated that the need was felt for the first time in the year 1995 to have a comprehensive and consistent policy document, and accordingly the government brought out a sectoral tourism policy. On the basis of policy perspectives from the interest of varied players in tourism, the study indicated different programs that were implemented in Nepal, for example, community based rural tourism development program, (Annapurna, Sagarmatha, Upper Mustang, and North Gorkha areas), public private partnership institutionalization program, such as, formation of Nepal Tourism Board, creation of tourism development fund at the Ministry level to support infrastructures provision at community level, and realization of the Visit Nepal Year 1998 program. The study pointed out that VNY was a useful program from the viewpoint of varied players in tourism.

(e) Domestic tourism

The tourism development in Nepal is almost exclusively limited to international tourism, there by ignoring domestic tourism. Satyal (1997) therefore indicated the need to emphasize domestic tourism more and observed that over the years, domestic tourism enjoyed varying degree of recognition. It revealed that domestic tourism had always been given secondary consideration after international tourism. The domestic

tourism is important because over the years, Nepal has not succeeded much in making the breakthrough in international tourism.

(f) Tourism marketing and tourist products

In an effort to promote tourism in Nepal, the role played by Nepal's Partnership for Quality Tourism Project (1997) is important, which carried out two studies. First study dealt with departing visitors belonging to key generating markets and segments, which assessed the expectations and level of satisfaction with current projects, perceptions about Nepal, and their expenditure patterns etc. The second study dealt with influencers like hoteliers, travel/tour agents, airline officials etc., which assessed their current marketing efforts and improvements desired by them. The study indicated that inertial and sluggish response of the travel trade to raise quality standards and expand the visitor market was attributed to several factors, e.g., the intense competition among operators in Nepal, major bottlenecks in air seat capacity, inadequate local infrastructure, and the inability of the trade to grasp the changing complexion of the visitors and their needs. It observed that marketing Nepal and promotion of tourism were neglected due to inadequate funds, which was further worsened by a lack of commitment and political will. It also pointed out another neglected area, which was the upgradation and innovation of new products in addition to a general inability to upgrade and consolidate facilities already existing.

(g) Adventure or nature tourism

The wide scope exists for the development of Nepalese tourism through adventure or nature tourism (Choegyal, 1994). It was indicated that an appreciation of wild places, and a desire to conserve the environment and help local people is not enough. Like any other venture, nature product opportunities must be carefully researched and planned, then actively marketed and promoted. Although infrastructure has to be provided by the public sector, along with protection, conservation and control, it is essentially the private sector, which should take the risks and thereby earn a reasonable reward by so doing. Successful nature tourism can be developed if both the public and private sectors play a coordinated and contributing role.

Similarly, a study on Nepalese adventure tourism indicated that policy reforms are required to boost Nepal's adventure tourism, which includes mainly mountaineering, trekking and rafting (Dahal: 2002). Some of the important reforms have been identified as simplification of visa and permit procedures, opening of new peaks and restricted areas, removal of seasonal barrier for expeditions, and scraping of the compulsory provision for foreign teams to submit recommendation letters from the concerned countries' alpine clubs. As a part of policy reforms, the golden Jubilee Celebration of the first ascent of Mt. Everest, which is an important part of the Destination Nepal Campaign 2002-2003, was instrumental in attracting significant number of expedition teams. Similarly, the United Nations' declaration of the year 2002 was as the International Mountain Year and the Eco-Tourism Year is yet another reason behind the significant growth in the number of expedition teams. Government of Nepal has increased the amount of deposit to be made by an expedition team from US\$ 4,000 to US\$ 5,000 depending on peaks. The new provision is expected to be instrumental in the preservation of the fragile mountain environment if it is implemented in an effective manner. Besides, there is a need for

Nepal to liberalize its policies in this regard like Pakistan, India and China so as to attract more mountaineers. The major challenge before the government and private sector is to manage the resources of mountain tourism and market them in the international market. Attention has to be given to building necessary infrastructures and developing the entire mountain region of the country for the economic and social development of the region.

The development of tourism is quite often undertaken without giving due attention to its negative aspects. It was indicated that new developments have been introduced in several marginal areas of Nepal without considering their negative effect on traditional life (Shrestha, 1983). It pointed out that hotels and cheese factories have been allowed in marginal areas like the Langtang valley of the Himalaya without developing alternative sources of energy as a result of which there has been rapid deforestation. It has also affected the whole community life and tradition. The new developments should be introduced only by developing prerequisite conditions and mechanism so as to minimize the dislocation of traditional way of life.

Ives's study on Himalayan environment and tourism (2001) recognized Himalaya as a world-class opportunity for development of tourism. At the same time, the study indicated that there are two extremes to tourism development – the wide open approach, best exemplified in Nepal, and the tightly controlled form characteristic of Bhutan. In neither instance does tourism provide a panacea for poverty. The study is however devoted more to general statement of concerns.

Sharma's paper on mountain environment and tourism (2001) assessed the nexus of tourism, mountain environments and livelihood of mountain people with reference to

Nepal. It suggested that the rapid growth of mountain tourism has impacted mountain environment through the increased demand for fuelwood and timber, through the generation of garbage, changes in land use and growth of settlements. Though the tourism has improved seasonal employment in portering and lodges, the impact of tourism on society and culture has not all been positive. The study emphasized the key concerns related to mountain tourism in Nepal, which included broader sharing of tourism benefits and revenues, local institution building, alternate energy, participatory planning, manpower development and diversification of tourism through supply side planning.

(h) Civil aviation

One of the important tourism infrastructures is concerned with the development of civil aviation in the country. Japanese International Cooperation Agency (JICA) studied development of civil aviation in Nepal. It not only analyzed the overall development of air transport system in Nepal but also examined economic and financial feasibility on the priority plans. It selected various projects from 44 airports and related facilities as priority projects (JICA: 1989). These projects were construction of new domestic terminal, expansion of passenger apron, and installation of air navigation system in Tribhuvan International Airport; new Pokhara airport project; Jomsom airport development; Lukla airport development; Simikot airport development; and Syangboche airport development. These projects were implemented immediately in consideration of importance and urgency. The total project cost was estimated at US\$ 16.6 million.

Similarly, the Domestic Civil Aviation Study Nepal, was carried out to assess the condition of important airports of Nepal (Intercontinental Consultants and Technocrats 1993). It pointed out the various civil constructions works to be undertaken, and equipments to be installed in the selected airports. Capital costs and recurring costs to be incurred were estimated. The total project cost was estimated at US\$ 47,821 to undertake the various improvements in domestic airports of Tribhuvan International Airport, Bhairahawa, Biratnager, Nepalgunj, Pokhara, Bharatpur, Jomsom, Lukla, and Megghauli. The recommended improvements were implemented so enabling the current airport system to meet international safety standards.

(i) Tourism manpower

Another important tourism infrastructure relates to the availability of quality manpower in tourism. A study on the evaluation of training programs conducted by HMTTC, revealed that for some courses, especially housekeeping and food preparation and control, the center does not get enough qualified applicants for training (New Era, 1982). This situation has led them to admit under-qualified applicants. In the case of tourist guide course, less than one fifth of all applicants are admitted since this is one of the most popular courses. It was observed that a considerable proportion of trainee does not intend to work in the tourism sector. There seems to be a lack of systematic and concerted efforts by the center to assist graduates in finding employment at the completion of the training program. Besides, the center is lacking in hotels, which it can use as a training hotel as well as cater for guests. Gurung *et al.* (1996) also studied the evolving role of tourist guides in Nepal so as to assess their training needs. They revealed that tourist guides in Nepal are indigenous people who play an important role

in tourism. A number of tourist guides recognized the importance of their role but were unable to perform higher-level duties such as interpreting natural and cultural features, because of their lack of knowledge and skills. The study also revealed that short-term courses and workshops were recognized as the most appropriate framework for training or educating guides.

From the above, it is clear that Nepal has a comparative advantage for tourism development on the basis of its spectacular natural landscapes and unique cultural heritage. A combination of world class cultural and natural tourism attractions of Nepal is suited for international tourism. Because of its combination of spectacular tourism resources and a rural based population, Nepal finds itself at the forefront of community development through ecotourism development. Nepal's well-established nature and adventure products include wildlife viewing, trekking, mountaineering, and rafting, all of which are of high international standards. There are also activities for the less adventurous tourists, such as village visits and home-stays, and half and full day walking circuits for non-trekkers (Dangi, 2003). Tourism is a major contributor to Nepal's economy. If it is managed effectively, tourism can be used as vehicle to deliver socio-economic benefits directly to rural and remote areas.

Thus there are various studies that have been carried out at the macro level, each dealing with some aspects of tourism in Nepal. Having reviewed the macro level studies on tourism in Nepal, the next section is devoted to reviewing the studies at micro level.

2.2.2 Review of micro level studies

A number of micro level studies exist on tourism in Nepal dealing with problems and prospects of Nepalese tourism at specific destination level. The micro level tourism studies are generally concerned with the growth and development of tourism in specific areas or regions of the country. Hence, these studies have been reviewed by categorizing them into broad regions.

(a) Tourism in Everest region

A number of studies have been carried out in the context of tourism in Everest region. Pawson *et al.* (1984) studied growth of tourism in Nepal's Everest region and its impact on the physical environment and structure of human settlements. It indicated that the annual influx of several thousand tourists into Nepal's Khumbu region, where Mount Everest and other well-known peaks are located, has created various demands on the limited natural resources of the area. It has resulted also in substantial tourist-related construction in the district capital, Namche Bazar. Between the early 1970s and the 1980s, the annual number of tourists visiting Khumbu rose from a few hundred to several thousand. Despite the substantial fuel requirements of this large visitor population, additional damage to the region's already partially denuded forests has been avoided by requiring all visitors to import their own fuel for cooking purposes. Local monitoring of tourist activities is made possible through the Sagarmatha (Everest) National Park whose Headquarters are located at Namche Bazar; the Park programs include enforcement of wood-cutting regulations, trail and bridge maintenance, and upkeep of a visitor center and

research library. Continued involvement of local village government in Park management decisions seems essential if current problems, such as waste management are to be resolved.

Karan and Mather (1985) analyzed tourism and environment in the Mount Everest region and came up with the concern for the more tensed environment in the Khumbu region. They observed that processes of change have brought a plethora of environmental disruption to this formerly remote, unspoiled region, a major factor being tourism and the hordes of overseas tourists and trekkers. They indicated that tourists usually arrive between May and October and have become a scourge of deforestation because of their demand for firewood. They pointed out that wastewater and refuse from the hotels have caused local pollution, although the smell of pine trees is still stronger than the stench of wastewater.

Rogers (1997) analyzed tourism development and change in the Sagarmatha. The study concluded that a complexity of issues is likely to contribute towards an increase in tourism activity in the Sagarmatha National Park. But, it is unlikely that this development will be sustainable unless a rigorous ecotourism strategy is developed and complied with.

Robinson (1997) conducted a case study of tourism in Sagarmatha (Everest) National Park in an effort to examine strategies for alternative tourism. It concluded that the longevity and prosperity of tourism in culturally and ecologically fragile areas depends not only on the tourism industry's ability to identify and develop tourism opportunities, but also on the industry's ability to conserve a region's natural and cultural assets. Although the region is not without outstanding environmental and socio-cultural issues, the new approaches, which are at present being implemented in the park, offer optimism for its long-term prospects as a viable

adventure tourism destination. Alternative tourism brings with it the potential to inflict both beneficial and detrimental impacts, and for other remote tourism destinations in the Third World, which offer exciting opportunities for the development of alternative forms of tourism, Sagarmatha National Park offers encouragement that alternative tourism designs can exist that effectively balance local economic development with ecological and cultural conservation.

The analysis of sustainable tourism in the Everest region of Nepal argued that tourism as it has developed in Solu-Khumbu could not be described as a model form of ecotourism (Rogers and Aitchison, 1998). The environmental problems associated with woodcutting and the disposal of human and consumer waste, for example, are inconsistent with the ideals of ecotourism. While there are problems and issues, the evidence would suggest that a worthy form of ecotourism has slowly evolved in the region. The establishment of agencies and bodies in the region, with a remit to balance conservation and development objectives (e.g. SPCC, forestry user groups) is also a positive sign. Moreover, there are many organizations concerned with tourism conservation and development. With such an intricate web of stakeholders it is likely to be difficult for all parties to share a common vision, and to jointly agree on the desirable pace and direction of change; not least because they each have their own set of economic, social or environmental priorities. Many organizations are subject to problems of overlap and confusion in regard to areas of responsibility.

The climbers' impact on the natural environment in mountain areas and environmental conservation with reference to the condition of wastes left by climbers in the Mount Everest region was examined by Junko Tabei (2001). The study was very concerned with the garbage and human waste issues in the Mount Everest region.

Like these studies, there are also a number of studies available on tourism in and around Pokhara region. The major ones have been reviewed in the following section.

(b) Tourism in and around Pokhara region

Pokhara is an important tourist destination of Nepal and hence efforts have been made to promote tourism in and around Pokhara. The emphasis has been placed from time to time for the development of tourism in Pokhara and nearby destinations. The Nepal Tourism Development Program conducted by Touche Ross (1990) recommended several programs for tourism development with an estimated project cost of US\$ 14.6 million. These programs included upgrading of conservation area, Pokhara airport, lakeside tourist trail & garden, Sarankot access road, eco-tourism development and circuit trekking, and conservation area improvement in Gorkha. The project was designed and implemented specifically to improve the environmental conditions in the project areas. Significant improvements in the physical health and living conditions of the low income group households such as sanitation and drainage were expected from the individual components.

The Environmental Protection Study of Phewa Lake (1993) is another important study on tourism in Pokhara. It dealt with various issues of tourism in Pokhara and specially how to protect environment and control pollution in Pokhara. It indicated that just over ten percent of income to Pokhara comes from tourist-related commerce, which was apparently increasing. Tourist usage of Pokhara was high, but the majority of tourists were low - paying tourists who were more interested in trekking. The average length of stay of tourists in Pokhara and the

watershed was between 6 and seven days. Many tourists did not find in Pokhara what they are seeking: a quite, small village in a beautiful setting where they can walk, bicycle, fish swim, enjoy nature, shop, tour, see magnificent sights, and 'primitive' but pleasant surroundings. Pokhara was becoming less attractive to tourists because of increased density of population and buildings, poor sanitation practices in hotels and restaurants, greater congestion, more noise, and more aggressive shop and stall owners.

Likewise, the Second Tourism Infrastructure Development Project (1995) reviewed the progress of the different past activities and proposed various activities for implementation. These activities included Pokhara environmental improvements such as public environmental education, sanitation improvements, septage collection and disposal, solid waste management, Pardi-Khahare road improvement and drainage improvements; development of Eco-tourism in Manaslu Area; domestic airport improvements in Bharatpur, Biratnagar, Jomsom, Jumla, Lukla, Nepalgunj, and Pokhara; and establishing a Cultural Display Center in Kathmandu.

Poudel (1996) examined tourist resources and environmental appraisal in Pokhara region. The study sequentially explored the natural and cultural resources of tourism, assessed growth of tourism, tourist facilities, impact of tourism on physical and cultural environment and to suggest measures for sustainable tourism development and planning. The study revealed that there has been the continuous increase of tourist flow and considerable over growth of hotels/lodges and their bed capacity and resulted the reverse effect on the development of tourism. There is a need to emphasize sustainable tourism in Pokhara region.

Like Pokhara region, Annapurna region is another important tourist destination of Nepal and

hence a number of studies are available.

(c) Tourism in and around Annapurna area

The Annapurnas of Nepal have gained much popularity in Nepal's tourism as one of the famous walks of the world and hence a number of studies are available on Annpurnas. One of the studies carried out in this connection gave detailed information on the trek around the Annapurnas (Raj: 1996). It also described the villages encountered during walk along the trail, the people living there, and festivals.

A study of the Annapurna Conservation Area Project (ACAP) by Gurung and De Coursey (1994) revealed that the carrying capacity of the region has been exceeded. Given the existing facilities with regard to energy, lodging and other relevant services, the present 45,000 tourists might be more than is sustainable. However, they opined that sustainable tourism would still be possible if both the government and the private sector give proper environmental conservation consideration. The past seven years' experience in the ACAP has led the authors to believe that an area's depleted natural and cultural environments could be restored from the revenue generated from tourism, if tourism is properly managed. Blaming tourism for deforestation, litter and inflation would serve no purpose.

It was suggested that massive tourism development needs to be avoided in Annapurna Conservation Area of Nepal (Zwartkruis, 1995). Tourism development should preferably be initiated and guided by locals themselves. There is an inadequate relationship between research

and training institutes, governmental agencies and the private tourism sector and hence the need for improved networking was felt by all involved in tourism in this conservation area. The need was felt for setting up a network secretariat at earliest. There is a lack of vision on how should ecotourism be developed. The link between tourism sector and agricultural sector is virtually non-existent.

The impact of ecotourism in the Baragaon, the Annapurna Sanctuary, and the Sikles of the Annapurna region was examined by Gruz (1999). It revealed that both ACAP and local communities in each of the study areas was successful for a number of reasons. In the Annapurna Sanctuary, ACAP and LMC had been able to not only create strong conservation rules, but to also follow them. Lodges were regulated, and there was an effective ban on cutting down wood. In Sikles, management was very effective, and much of it came from the local level. A large portion of tourism revenue was put back into community infrastructure and development. In the Baragaon, the main reasons for the integration of tourism were the historic experience of trade, and management by ACAP. None of the three sites was showing serious social/cultural degradation, or wide scale deterioration of the environment. The study indicated some serious problems also, such as, forests being cut at alarming rate, very few lodges with kerosene stoves, garbage on many of the trails, solar power being underutilized throughout most of the Annapurna, and so on. It concluded that ACAP was doing a good job among the three areas studied. It was adhering to its mandate to integrate tourism and management, nature conservation, cultural resource conservation, and community development for the benefit of local people and tourists.

In an effort to study tourism development and environmental management in Nepal, Walder (2000) carried out a study on Sagarmatha National Park and Annapurna Conservation Area Project with special reference to Upper Mustang. It is often argued that the popularity of mountains as a tourist destination comes at a potential cost to the mountain environment. While experience in Nepal has shown that tourism does damage the environment, it can also be an invaluable means of development and environmental conservation. Based on in-dept interviews, the study revealed that a holistic approach to tourism and environmental management is needed that takes account of the needs of the local community, tourism, and the environment. The research results correspond to previous experience of tourism and environmental management in Nepal and elsewhere.

The Annapurna Conservation Area Project has demonstrated how ecotourism can be successfully implemented for promotion of sustainable development. It has done so in ways that can reduce the pressure on national resources, build local capacity, and improve tourism infrastructure and management, whilst still giving an opportunity for a better standard living to local residents (Thapa, 2003). Through alternative income generation schemes it has been possible to distribute wealth throughout the area, and not just to those on the main trails. Thus, the ACAP has been involved in facilitating local communities to become the principal actors and beneficiaries in managing tourism in rural areas. It is able to establish linkages with tourism based on in the integrated conservation and development project approach in which peoples' participation forms the corner stone of all activities. Due to all these, the ACAP is globally renowned for its approach and serves as a model.

(d) Tourism in and around Kathmandu area

Bagmati zone has always been an important area for tourism development in Nepal. Banskota and Sharma (1993) examined the performance of the tourism sector in an effort to study economic and environmental development planning in Bagmati zone. The study dealt with seasonality factor, average length of stay, average per capita tourist expenditure, tourism earnings, number of hotels, rooms and beds, average bed occupancy, employment generated by tourism, foreign exchange leakages, average size of investment in hotel industry, and multiplier effects. It indicated only a partial success in the development efforts of Nepal's tourism sector. Despite the various plans and policies introduced so far by the government regarding tourism development, there still appears to be a lack of long term integrated policies and plans that encompass all aspects of tourism development in the country.

In order to promote tourism in Nepal, the study (1993) was conducted to establish a Cultural Display Center (CDC) in Kathmandu. The study indicated that Nepal's unique and relatively intact culture was neither readily accessible to tourists, nor well presented nor packaged. It was therefore recommended that CDC be established in Kathmandu. The themes to be presented in the center should be those dealing with history and people, and the ideas that the tourist can relate to. The center should be designed with a capacity to cater for between 60 and 240 people to attend the cultural show. The elements comprising the center could include, representative buildings equipped and furnished in a traditional manner with traditional crafts being pursued, locations to sell handicrafts which are produced at the center, a taste of Nepal food center where tourists could sample the various cuisines of Nepal, a theater restaurant for cultural shows,

interpretive center(s), street theater, demonstration, exhibition, fashion shows, an art park, film spectacles, and viewing tower. Besides, the study worked out in detail ownership and management, capital costs, capital structure, operating costs, revenues, marketing strategies, profitability, and project risks. Despite of its feasibility, the idea has not been implemented so far.

A study on culture heritage management and tourism with reference to Bhaktapur analyzed tourism scenario in Bhaktapur, which included the analysis of number of tourists visiting Bhaktapur, Bhaktapur municipality's budget, heritage projects in Bhaktapur, carrying capacity and tourism development strategy, heritage promotion, community participation, and pollution. The study indicated the role and importance of tourism industry in the development of Bhaktapur including Nagarkot (UNESCO, 2000).

(e) Tourism in other Himalayan regions

Apart from the above, the studies are also available on other Himalayan or hilly regions of Nepal. In one of the studies on environmental stress in the Himalaya pointed out that the Himalaya are one of the grandest areas in the world and economic changes and population increases are threatening ecological conditions in the area (Karan and Iijima's study, 1985). Environmental degradation is a consequence. The study provided a survey of the environmental problems and offered suggestions to remedy them.

Shackley (1994) analyzed the impact of tourism in Lo (Upper Mustang) which is a remote part of Nepal and which was closed for visitors until March 1992. The study pointed out that despite the strict enforcement of environmental regulations, cultural carrying capacity of Lo has already been exceeded with minimal economic benefits to local people. This fieldwork based study summarized visitor management strategies, which included the designation of the capital, Lo-Manthang, as World Heritage Site, stricter restrictions on visitor numbers and the development of a network of traditional Tibetan-style inns with consequent banning of trekking tourism. In this connection, it is important to indicate one of the studies that dealt with the framework for tourism carrying capacity in the context of Hindu Kush-Himalayas (Sharma, 1995). The study indicated that there is always an upper limit beyond which sustainable use of tourist resources is not possible and that, therefore, it is necessary to protect, conserve, and manage these resources so that the attributes and values that are intrinsic to the environment and society/economy are not destroyed or their quality diminished. It mainly described the different steps involved in a carrying capacity. These steps were (1) to prepare the inventory of the characteristics and status of tourism assets in the community/area route/region, (2) to classify critical areas and experience zones, (3) to conduct environmental impact assessment, (4) to set tolerance levels and carrying capacity standards, and (5) to develop action plans and an institutional framework for implementation and monitoring. The study also addressed how to maximize opportunities and mitigate problems when the tourism resources and the characteristics of the area are given; how to involve local communities in the planning process, and how to build on or create local institutions to support sustainable tourism and monitor and manage local economic as well as environmental development.

Eachern *et al.* (1995) conducted a study on the prospects for tourism in Manaslu on behalf of IUCN. The study mainly conducted a reconnaissance survey of the area, identified major trekking routes, analyzed issues, opportunities, problems and solutions, and prepared a document discussing the prospects for tourism in Manaslu. It was indicated that mountain tourism is expected to continue in and around the region in the years to come.

The mountain tourism is also likely to increase much more in Makalu-Barun Conservation areas due to improved access, increased local and international publicity, the growing desire of foreign visitors to avoid over-burdened mountain areas, and mountaineering regulations and costly fees in the Everest region. However, tourism development in Makalu-Barun Conservation areas requires the formulation of various policies and short, medium and long-term programs. The Makalu-Barun Conservation Project (1995) identified the development of various tourism related infrastructure, such as construction of National Park administrative support facilities, construction and installation of emergency safety shelters, trail markers, and improvements to unsafe trails and bridges to minimize accidents and deaths, provision of educational and safety information, facilitation of opportunities for people of the conservation areas to benefit economically from tourism through income generating programs, promotion of cultural conservation, and so on.

It was indicated that Nepal did not pay attention to the development of village tourism, which could be a focus for the economic development of backward areas. A model for village tourism development was displayed at the Makalu-Barun Conservation Area, Tashigaun (Pradhanang, 1997). If appropriately implemented, village tourism will develop villages of Nepal as tourist destinations for holidaymakers from different parts of the world.

The studies on Nepalese tourism also included studies concerning the Sherpas. The Sherpas have played an important role in the development of tourism in Nepal. Adams (1992) in his study of tourism and Sherpas of Nepal observed that Sherpas have nearly 40 years of involvement in tourism by creating a heavy demand for wage labor. The study took a cultural approach to tourism capitalism. Sherpa's reciprocal labor in the form of kinship, and other types of exchanges has been reconstituted in mountain tourism alongside well-established pattern of wage labor. It is suggested that the Sherpa logic that informs and shapes Sherpa economic endeavor is a cultural logic revolving around tendencies toward both independence and interdependence into which new tourism opportunities can fit.

If the tourism is to be developed in Himalayas, several things need to be accomplished. The major ones among them are improving the status of Sherpas and maintaining environmental degradation in the highest Himalayas. It was indicated that tourism has created inequity in the distribution of wealth as a result of great disparity in income between villagers living on trekking routes and those living away from them (Stevens, 1993). Tourism has brought local inflation of essential goods and services and shortage of labor in agricultural activities in these Himalayan areas.

There has been a strong contention that not much emphasis was being laid on ecological impacts, particularly on soil, vegetation, water resources, and wildlife while integrating tourism and ecology in the context of Himalayan parks and protected areas (Nepal, 1995). There has been cumulative resource damage in the Himalayan region. Hence the ecological insights should be integrated in the environmental impacts of tourism. There is a need to know how

subtle or profound are the ecological changes that are occurring on campsites along trekking routes and trails.

Most of the tourism in Himalayan region is still based on conventional tent-based trekking tourism and it is likely to predominate in the years to come as well, without any kind of diversification. For example, despite of local pressure for a distinctive heritage tourism product based around upgraded inns, conventional tent-based trekking tourism still predominates in Lo (Upper Mustang), which has intact network of medieval inns (Shackley, 1996). The construction of new trekking lodges or alteration of existing vernacular buildings would lessen the perceived authenticity of the tourist experience and diminish Lo's attractiveness. The potential for inn development and a pilot scheme to record both inns and other features of Lo's built heritage should be recognized, within the general context of heritage conservation in the Himalayas.

The ecotourism in Nepal is characterized by concentrations of activity within a handful of multiple-use protected areas, significant indigenous populations within these areas, policies of incremental access to mitigate the negative impacts of tourism, and an emphasis upon trekking. The ecotourism is best described as a hybrid activity. It combines adventure travel and sociocultural alternative tourism. The trekking tourism has undoubtedly contributed to the problems of deforestation, inappropriate waste disposal and the erosion of traditional cultural values, though they appeared to be localized to areas or routes where tourists congregate (Weaver, 1998). In order to maximize the positive contributions of trekking-based tourism, the Nepalese government has experimented with a number of innovations, including the establishment of multiple-use conservation areas, such as Annapurna Conservation Area

Project, which emphasized alternative tourism principles, such as community participation, controlled development and the integration of tourism with other aspects of a sustainable local economy. However, there still exists the fundamental problem that the two main tourism agencies in government (the Ministry of Culture, Tourism and Civil Aviation and the Department of National Parks and Wildlife Conservation) are underfunded and often operate with potentially conflict mandates and a lack of common sense of direction; as there is no clearly defined ecotourism strategy *per se* (Weaver, 1998).

While examining the trekking tourism in Nepalese Himalayan region, it was recommended that there is a need for reducing royalties and trekking permit fees as revealed by the survey of tourism demand among trekking agencies active in Humla and Dolpa districts of Nepal. (Manandhar, 1998). The survey also revealed the existence of potentiality for developing sustainable tourism in remote areas. It indicated that tourists were not interested to go to districts like Humla and Dolpa because of high cost of travel, lack of information about the areas and lack of advertisement.

Velzen (1998) explored possibilities for integrating the concept of a multiple use visitor center within projects of SNV. The study indicated that the visitor center of KEEP has supported several other visitor centers in Nepal with technical assistance and they have implemented several activities and programs contributing to the development of rural areas. It pointed out that several visitor centers exist within Nepal, but it seems like no multiple use visitor center exists and one option could be to establish a physical place (multiple use visitor center) where tourists, local goods and service providers can meet, but also local actors (and outside actors) to develop strategies and plans. The study

developed a proposal for such a multiple use visitor center by further exploring income generating possibilities within Praja Community, Chitwan. Based on SNV Nepal's objectives and sustainable tourism development framework, adventure small-scale (trekking) tourism, based on specific natural and cultural features, was detected as an appropriate type of tourism for community based tourism development along the main trails.

The studies concerning tourism in Himalayan areas often recommended that interventions are necessary if poor people are to participate in and benefit from development of tourism. A study by SNV/Nepal on sustainable tourism development revealed that people from the target group do not have sufficient awareness, skills, or claim making power to demand such participation or intervene for themselves (Hummel, 1999). It also observed the limited know-how on sustainable tourism development among SNV project staff and that a suitable planning sequence has not been developed, and at times skills development training is offered without first defining its aims and intended results. Among others, the study concluded that it is often not clear to organizations and local people why certain categories of tourists visit a particular area, what such tourists need, what they expect, nor what they want to buy or experience.

It is often complained that that tourism policies in Nepal are dictated by the need to earn foreign exchange and sustainability of its resources (natural, cultural, and human) has been largely ignored (Nepal, 2000). The destination areas quite often do not have management plans. Local benefits from tourism have been minimal, with the exception

in the Everest region where Sherpas have been able to derive substantial benefits. The potential for sustainable tourism in the Himalayan protected areas is significant, as exemplified by the Annapurna Conservation Area Project. However, intensified development could also cause irreversible environmental damage such as in the Everest region. The challenge is to strike a balance between development and conservation in a way that negative aspects of tourism are greatly reduced while the positive outputs are maximized. The scientific circles, tourism entrepreneurs, and local communities all should be active in promoting sustainable tourism.

In a study by SNV/Nepal on economic benefits for local poor stressed that considerable economic benefits are possible in areas with tourism potential (SNV: 2000). For example, the Annapurna Conservation Area Project could generate US\$ 1 million in the form of entrance fees from 61,000 tourists. At least US\$ 6.5 million were spent by tourists in the conservation area (with around 100,000 inhabitants). However, not all people from the area got benefit from tourism. Again it is often the poor who fail to participate. SNV/Nepal emphasized strongly that a larger part of the community, especially the poor, benefit from potential and existing tourism development.

A study on 'International Mountain Museum and Tourism Promotion' stated that the international mountain museum is a plan initiated with a long- term vision (Karki: 2003). It emphasized the establishment of mountain museum in Pokhara, Nepal, which seems very important. The establishment of international mountain museum plays a vital role in the promotion of tourism not only in Pokhara but also in the country as a whole. It is estimated that the tourists' length of stay in Pokhara will be increased by a day if the museum is established. At

the moment, the length of stay of a tourist in Pokhara is just two days. It will not only increase the length of stay but also the number of visitors from home and abroad as it will be the world's biggest and an outstanding mountaineering museum. International Mountain Museum should include the images or pictures of those Himalayas and the cultural heritage of those ethnic groups who live in the lap of Himalayas. It would include not only the information of Nepal but also of the International Himalayas and Himalayan Ranges. It would bring together several alpine clubs of the world that are taking interest in the development of museum including the assistance of SANPAKU club of Japan, which is an organization of six different clubs.

From the above, it is clear that Nepal is endowed with a variety of resources that are essential for tourism throughout the country. The southern belt covering about 17 percent of total area of the country is the plain area whose lowest elevation point is 60 meter. The North of Terai lies the Siwalik range, middle mountains, high mountains and high Himalayas. There are also four major rivers systems, Koshi, the Gandaki, the Karnali, and Mahakali of which the major portion lies in hills and mountains.

2.3 Discussion

The survey of literature undertaken in this study has the following implications for this study:

-) There has been a shift in point of emphasis from mass tourism to alternative tourism and sustainable tourism, and the concept needs to be well received in tourism studies.
-) The kinds of tourism development strategies ranged widely in recent years. The tourism studies reflect an integrated and sustainable approach to developing tourism. They all give consideration to balancing environmental, socio-cultural and economic objectives, which

form the basis for this study.

-) Carefully planned and managed tourist destinations are much more likely to be successful on a long-term basis than unplanned areas.
-) Much emphasis is now being given to development of quality tourism. This concept implies protecting the environment, maintaining cultural identity and integrity and achieving a high level of tourist satisfaction, while still generating substantial economic benefits.
-) Many possible forms of tourism exist, and they are increasing. A tourism area should consider all these forms of tourism, and select the combination that is most suitable for environment, society and economy.
-) Community involvement in tourism is now being recognized as essential. Various successful techniques have evolved to achieve local participation in tourism, and bring direct benefits of tourism to communities.
-) Since tourism development is a multisector activity, which brings with it environmental, social and economic impacts, tourism policy and planning is of great significance. However, the impact of tourism policy and planning has not been well received in recent literature.
-) Almost all the studies conducted in the Nepalese context indicated that there is strong potential for high rates of tourism growth but considerably below the potential.
-) Nepalese tourism has not been dealt from the viewpoint of demand and supply sides.
-) The estimate of tourism demand functions aids in tourism policy and planning. There is a need for estimating these functions using the more recent data.

To sum up, the review of literature undertaken in this study revealed that most of the studies are

either macro level studies or micro level studies. There is no integrated or comprehensive type of study that combines study of tourism in both, macro and micro level perspectives. With few exceptions, most of the macro level studies are general studies that lack an appropriate theoretical base and or empirical testing. This study is directed towards achieving these lackings.

Theoretical Issues in Tourism

In tourism, one way of advancing the theoretical cause is to take two or more domains and combine them (Dann 1999, 24). According to Dann, tourism literature is simply devoted to compiling a lengthy list of areas for future research and then prioritizing the issues in the form of viable agenda (26).

Hawkins (1993, 190) pointed out that tourism development theories should be built upon various considerations. Some of them may be seen as under:

- Tourism development in harmony with socio cultural, ecological and heritage goals of local community.
- Fostering citizen participation in the economic benefits of tourism development.
- Underlying of resident perceptions, values and priorities of the finite limitations to tourism development.
- Growing importance of environmental awareness.
- Rapid advances in technology.
- Globalization

It is clear from the above mentioned discussions that all of the foregoing have theoretical components but very little seems to have been explored along those lines. Many areas for further research appeared to have received scant theoretical attention. In the tourism literature, this vital ingredient of research is missing. A theoretical base can be built up by formulating the problems based on issues. It requires complete understanding of the problem failing which one will never be able to adequately address issues of tourism development.

Tourism system (Factors affecting tourism)

The success of a tourist destination depends on the regular arrival of large numbers of visitors,

and the effects of their activities while they stay there. The flow of tourists to a destination is determined by several factors, including the destination's accessibility, the relative expense of visits, and how aware potential visitors are of the attractions and amenities it offers. As it becomes more successful, a destination undergoes a series of changes resulting from the new business opportunities which tourist spending creates, the need for expanded and improved infrastructure, and the impacts of visitors on the area's culture, economy, environment and ecology (Laws 1995, 7).

Over a period of time, tourists, preferences for particular destinations and activities will probably change again, under the influence of several factors, some attracting clients to new destinations, others acting as repellents. The former category includes further improvements in access resulting from infrastructure development, particularly new regional airport or more regular air links. Examples of factors inhibiting tourism development are civil unrest, inflation, or natural events such as earthquakes, huge forest fires or outbreak of disease. A third category of influencing choice of destination is policy decision by investors or politician regarding tourism. Major hotel companies have developed large, high quality resort in previously isolated regions. Religious fundamentalism has resulted in the virtual closer of countries such as Iran to Western tourists, while other countries such as China have encouraged the development of a tourism sector for the economic and social benefits expected (Laws 1995, 7/8).

Two factors contribute to the attractiveness of a tourism region. The primary features include its climate, ecology, cultural traditions, traditional architecture and its landforms. Secondary destination features are the developments introduced specifically for tourists, such as hotels, catering, transport, activities and amusements (Laws 1995, 14).

Tourist behavior

Fodness and Murray (1999) tested the various hypotheses on tourist information search behavior. He predicted that choice of information search strategy would vary as a function of the length of the pre-trip planning period, traveling party composition, purpose of the trip, type of vehicle used, stage of family life cycle and income level. Their findings of the study provide a theoretical and empirical basis for segmentation, product positioning, and promotional strategy development related to tourist behavior.

Marketing / Promotion

Virtually every human settlement has a long tradition of visits by traders and missionaries, but a place can only become a destination for the modern tourism as a result of two sets of related activities (Laws 1995,1). These are the local development of facilities, which cater to the needs of tourists, and marketing efforts carried out in the areas from which tourists originate.

Decisions had to be taken about how to develop the destinations, infrastructure and tourism facilities. Investment had to be procured and staff had to be recruited and trained. Further decisions were required about how to publicize destination's attractions. Images had to be created which best convey their particular characteristic to potential visitors (Laws 1995, 2).

As the destinations develop, traditional style of eating, dress codes working patterns, social and personal relationship changes (Laws 1995, 10).

Significance of tourism in Nepal

The most important reason for tourism development is almost always the various economic benefits which tourism can bring to a destination (Davidson 1989, 144)

It is estimated that only 6% of the tourism expenditure is in rural areas, where the bulk of the money is collected by a few ethnic groups such as the Sherpa in the Everest region and the Thakali in the Annapurna region (Metz 1995).

Similarly, retention of economic benefits at the local level continues to be major problem (Banskota and Sharma 1997).

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The review of literature suggested that no efforts have so far been made in the direction of promoting recreational fishery, game fishing in particular. However, there is a group of retired officers of British Gurkha regiment in Dharan which organizes fishing trips in Dudh Koshi, Arun Koshi, Tama Koshi, and Sunkoshi, major tributaries of Koshi river system. This group is said to be purely game fishers as they do not take all their catches but release them in the water itself. Some of the private agencies organize fishing trips in Bardia National Park, Chitwan, at the confluence of Seti and Trishuli as well as Kaligandaki and Trishuli, major tributaries of Gandaki river system. The great potential lies for the development of ecotourism by promoting recreational fishing activities in rivers, streams and lakes of hills and mountain regions of the country. Most of the tourists that visit Nepal are nature lovers and visit mainly resort places for mountain viewing, watching wild life in national parks, beaching and swimming in natural

waters as well. The adventure seeking tourists prefer to go for trekking, climbing, and rafting in white waters. Provision of game fishing should certainly attract there tourists for fishing in Himalyan waters and spend their leisure time for more fun (Shrestha and Shrestha, 2003). Such recreational fishing activities will not only support in tourism industry but also will create alternate income generating job opportunities for the locals.

Discussion: to be written on these lines:

-) Review indicates that most tourism studies lack theoretical base.
-) Indicate that Nepalese tourism studies are not comprehensive.
-) Indicate that most tourism studies are on ecotourism.
-) Indicate that this study fulfils all these.

Most of the studies at micro level directly or indirectly dealt with ecotourism. Ecotourism benefit protected areas by contributing directly to conservation through park entrée fees, enabling local people to gain economically from protected areas, and raising awareness on the importance of conservation and ecological literacy to both domestic and foreign tourists (Chaudhary, 2001). If ecotourism is to contribute seriously to conservation and development, it should provide significant benefits to local residents including education and health facilities, contribute to the conservation and sustainable use of the natural resources by improving links between local communities and those who manage protected areas, incorporate environmental education to tourists and local communities, determine the carrying capacity of protected areas that can sustain ecotourism accompanied with newer sites of tourists hotspots, and develop and manage programs to minimize negative impacts on environment an indigenous culture.

The survey of different literature in this chapter, among others, revealed the following:

-)] There has been a shift in point of emphasis from mass tourism to alternative tourism and sustainable tourism and the concept has been well received in Nepalese literature.
-)] The kinds of tourism development range widely. They reflect an integrated and sustainable approach to developing tourism. They all give great consideration to balancing environmental, socio-cultural and economic objectives.
-)] Carefully planned and managed tourist destinations are much more likely to be successful on a long-term basis than unplanned areas.
-)] Much emphasis is now being given to development of quality tourism. This concept implies protecting the environment, maintaining cultural identity and integrity and achieving a high level of tourist satisfaction, while still generating substantial economic benefits.
-)] Many possible forms of tourism exist, and they are increasing. A tourism area should consider all these forms of tourism, and select the combination that is most suitable for environment, society and economy.
-)] Community involvement in tourism is now being recognized as essential. Various successful techniques have evolved to achieve local participation in tourism, and bring direct benefits of tourism to communities.
-)] Since tourism development is a multisector activity, which brings with it environmental, social and economic impacts, tourism policy and planning is of great significance. However, the significance of tourism policy and planning has not received well in Nepalese literature.
-)] Almost all the studies conducted in the Nepalese context indicated that there is strong potential for high rates of tourism growth but considerably below the potential. The major reasons have been noticed to be low number, variety, and quality of tourist attractions;

environmental pollution; inadequate international marketing; difficult internal travel; inadequate tourism-related physical and institutional infrastructure.

) Nepalese tourism has not been dealt from the viewpoint of demand and supply sides.

) The estimate of tourism demand functions aids in tourism policy and planning. There is a need for estimating these functions in the context of Nepal.

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Chapter 3

Tourism Planning in Nepal

Tourism is a chosen policy. It is not a policy forced upon a reluctant regime by political pressures like agrarian reform, language policy, or some industrial policy (Richter 89, 14). This is one of the reasons that tourism policy has often been neglected. Tourism policies are being adopted and actively pursued by virtually all-urban and rural areas. Even locales consciously opting not to promote tourism are in effect pursuing a type of policy. Missing from other studies, however, have been explanations of tourism policy that evaluate success or failure except in economic or occasionally social terms. Typically, arrivals, receipts, length of stay, and market share have been the overwhelming criteria by which government policymakers, the travel industry, and the attentive public have judged tourism policy. If available, the number of jobs created is mentioned. Occasionally, policies are judged in terms of environmental impact or in terms of foreign exchange, balance of payments perspectives (Richter 89, 18). Rarely is a policy judged in terms of resident satisfaction. Tourism policies 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 effects. And yet these same policy 'mistakes' are made over and over again (Richter 89, 18). In the 1970s, mass tourism became a reality in a majority of developing nations and the horror stories concerning its impact began emerging. Once the problems were clear, policy should have improved, but it often did not.

The previous chapters have highlighted a number of problems that relate to the impacts of numbers and types of tourists upon locations, and also with regard to problems related to seasonality and other issues. A number of authors including Baud-Bovey and Lawson (1977), Mathieson and Wall (1982), Murphy (1985), Gunn (1994), Inskeep (1991), and Krippendorf (1987), to mention but a few, have called for more responsible planning of tourism destinations. This chapter is therefore devoted to overview of tourism planning in Nepal.

Nepal is blessed with geographical, historical and cultural specialties, unique and individual, and hence wide prospect exists for tourism development. The rich cultural heritage, enchanting diversity of tribes and communities, and heart warming parade of scenic beauties have frequently been considered to prove that there are more than enough justifications for developing this sector. This chapter presents the tourism planning efforts made in national economic development plans of Nepal. The study has been organized into three different periods, namely (1) tourism planning till 1970, (2) tourism planning from 1971 to 1990, and (3) tourism planning since 1990. The division of planning periods is arbitrary only. The year 1970 is chosen to highlight what has been achieved during 15 years of planned development before the preparation of master plan. Similarly, the year 1990 is chosen because of the restoration of democracy in that year. The tourism planning in Nepal is reflected in national economic development plans and hence the study of tourism planning under these different plans has become essential.

3.1 Tourism Planning till 1970

Tourism planning in this period consists of three economic development plans as under:

-) The First Plan (1956-61)
-) The Second Plan (1962-65)
-) The Third Plan (1965-70)

3.1.1 The First Plan (1956-61)

Tourism planning in Nepal has not received much attention of the planners in the past. During the Rana regime, Nepal was not open for the tourists. During the first plan period, the importance of tourism sector was given early consideration and administrative machinery was set up as early as 1956 (National Planning Council 1956, 8-10). At that time tourism was at a low level, and administrative activities were limited to certain control and supervision measures. Tourism administration was formed in 1957 when a Tourist Office was set up in the Department of Industry following the establishment of a Tourist Development Board under the same Department in 1956. In 1959 the office was upgraded to department level. The Department of Tourism moved through a number of sectoral ministries, and there did not exist tourism ministry in the country. After the establishment of the department, Nepal received membership in different International Tourist Organizations.

During the plan period, tourist information centers were established, survey of hotels was conducted, and some training was provided to the tourist guides. As the First Plan was the beginning of the planned efforts of the government, not much could be planned and achieved in the tourist sector except for the setting up of hotels of various standards, establishment of travel agencies, and development of Kathmandu Airport.

3.1.2 The Second Plan (1962-65)

The Second Plan also realized the need for the development of tourism (National Planning Council 1962, 12-15). Programs were made to set up more hotels and for the continued development of Tribhuvan International Airport or Kathmandu Airport. Priority was given for

the operation of air services by foreign airlines, the development of places of tourist interest, sightseeing services, trained guides, and increasing publicity of Nepal in the international field.

As a result of the earlier efforts, the number of hotel beds reached 270 at the end of this plan period. The enactment of Tourism Act 1964 (2021) was the notable achievement. The act provided for regulations and development of tourism in Nepal.

3.1.3 The Third Plan (1965-70)

The Third Plan aimed to increase tourist inflow to 20,000 persons per annum (National Planning Commission 1965, 68-75). India's forecast of tourists was 200,000 and Nepal's forecast is 10 percent of it. The target was not unachievable with the increase in hotels. The Third Plan programs included completion of Kathmandu Airport runway, establishment of one hotel each at Pokhara and Biratnagar, production of tourist film, conservation of temples in Kathmandu Valley waiting for repairs and maintenance, and reconstruction. These temples provide the main attractions to the tourists and hence a plan for their conservation was proposed. Besides, it was planned to implement a program for the conservation of historical places, particularly, the Lumbini-Kapilvastu area. The other programs included systematic display of Nepalese monuments in Nepal museum, and among others, preparation of master plan of Lumbini.

An advisory committee for tourism was set up in 1968, which after a year was

replaced by the Nepal Tourism Development Committee. The execution of plans and projects in tourism involved almost all levels of Government, and was made the joint task of the administration and the private sector. At that time, the private sector was represented mainly by the Nepal Hotel Association representing the hotel industry and the Nepal Association of Travel Agents representing the travel industry.

The time period till 1970 may be considered as initial years of planned tourism development. Though not much concrete could be achieved in the field of tourism development, the number of tourist arrivals increased from 6179 in 1962 to 45,970 in 1970, the increase being 7.4 times. Gross foreign exchange earnings increased from \$ 78,000 in 1962 to \$ 1,309,000 in 1970.

3.2 Tourism Planning during 1971-1990

Tourism planning in this period consists of four economic development plans as under:

-) The Fourth Plan (1970-75)
-) The Fifth Plan (1975-80)
-) The Sixth Plan (1980-85)
-) The Seventh Plan (1985-90)

This section is intended to briefly review tourism planning undertaken in the above-mentioned economic development plans.

3.2.1 The Fourth Plan (1970-75)

During the Fourth Plan period, the foreign experts were invited to prepare the master plan for tourism development. The formulation of master plan and the implementation of development projects in accordance with this plan had begun after a systematic detailed study of tourism development (National Planning Commission 1971, 73-78). This plan dealt with several aspects of tourism development: assuring improvement in sites with tourist attraction, managing hotel and transportation facilities in such sites, and providing necessary publicity to attract tourists to Nepal.

The Nepal Tourism Master Plan formulated in 1972 during the fourth plan period is of crucial importance. It identified the major tourism products of Nepal, suggested the potential places and activities suitable to these areas, and outlined promotional strategies and institutional managements for further growth of tourism. It was designed for implementation during a decade in two phases – Phase I (1972 –1975) and Phase II (1975 – 80). It thus influenced succeeding plans and programs in the tourism sector to a large extent.

The master plan proposed the operation of five different types of tourism for Nepal:

) Sightseeing tourism

-) Trekking tourism
-) ‘Nepal style’ tourism
-) Recreational tourism, primarily targeting the Indian tourists
-) International pilgrimage tourism

In sightseeing tourism, Kathmandu Valley was considered as a nerve center ‘owing to its touristic infrastructure, cultural and scenic attraction, and its function as the gateway to the country for the majority of international visitors’.

On the institutional front, the Master Plan recommended the establishment of the Ministry of Tourism and Culture as an authoritative body to look after the overall needs of tourism. As a result, Tourism Ministry was set up in 1977. The Department of Civil Aviation and Nepal Airlines were brought under the Ministry in 1982 as provisioned in the Master Plan.

Thus, the Master Plan of 1972 could be considered as Nepal’s first policy guidelines formulated for tourism development. This perspective plan is found to have adopted the concept of decentralized pattern of tourism development, which indeed addressed to the local community perspectives. Though the concept led by Master Plan is found to have adopted since the Fourth periodical national plan, the programs implemented are not fully sufficient to materialize the concept. The policies spelled out were explicitly limited in terms of foreign exchange earning and creating employment opportunities in tourism sector (Shrestha 1997, 6).

The Fourth Plan emphasized the development of tourism in a planned way. Sites of tourists' attractions were constructed and developed, and facilities for tourists in different parts of the country were created. The private sectors were encouraged to develop attractive places such as parks, lakes, hunting sites, and playground, and to make accommodation and travel facilities available to tourists. As the development of tourism is dependent upon the programs of other departments, attention was given to their complete coordination. The plan envisaged increasing the number of tourists by 40% annually. Hotels of different standards were planned to be established in Kathmandu Valley so making a total of 2600 hotels beds. The Fourth Plan programs consisted a budget of Rs. 5 million for the master plan of tourism development, publicity and advertisement, development of tourist centers outside Kathmandu Valley, extension of information centers, training, and entertainment.

3.2.2 The Fifth Plan (1975-80)

The Fifth plan objectives of tourism included increasing the foreign exchange earnings and thereby improving the balance of payment situation, increasing the employment opportunities, and achieving the regional development by establishing the tourist centers (National Planning Commission 1975, 415-420). The Fifth Plan policies were to retain Nepalese style while promoting tourism, to diversify the tourists to other areas as well which were confined to Kathmandu only, to increase the length of stay of tourists, to develop facilities for tourism in Pokhara, Chitwan, Lumbini, Khumbu, etc., to develop remote areas for tourism either by air or on foot, to coordinate tourism with agriculture, transportation, and industries, to make publicity

about Nepal in tourism source countries, and provide training on different areas of tourism. The Fifth Plan program included publicity of Nepal's tourism in international arena, provide training to 500 persons on different aspects of tourism, and establishment of tourist information centers.

During the plan period, the historical, cultural, and geographical attractions of the country were emphasized for their preservation not only to promote tourism but also to spread its growth, which were localized largely in the Valley of Kathmandu, to other parts of the country along the lines recommended in the Tourism Master Plan. The Fifth Plan had therefore incorporated wherever possible the same set of programs contained in the Master Plan as a second phase tourism development program.

The number of tourists during the Fifth Plan grew at the rate of 15 percent (National Planning Commission 1981, 531-543). Foreign exchange earning increased to the tune of US \$104 million. Within a short span of time tourism became one of the important source of foreign exchange earner. The hotel beds also increased from 1663 in 1975 to 5018 in 1979, the increase being more than three times. During the plan period, altogether 1095 persons were trained in various fields of tourism. Moreover, Nepal Industrial Development Corporation invested US \$23 million in tourism industry related companies. Clearly, the planners have emphasized the development of tourism in Nepal.

3.2.3 The Sixth Plan (1980-85)

The Sixth Plan objectives of tourism were to increase foreign exchange earnings, and to create employment opportunities by developing the tourism related industries. The plan policies included making the tourist centers more attractive, to identify the new tourist centers, finding out ways and means of attracting tourists in off seasons, and conserving the natural, cultural, and artistic beauties of Nepal.

The Sixth Plan spelled out many programs. Among others, the major ones were, formulating second tourism master plan, development of mountain tourism, tourism survey and research, development of resort areas, remote area tourism development, strengthening of tourist information centers, construction of sheds in Arniko Highway, development of Tato Pani area, production, distribution and promotion of tourism materials, strengthening of Hotel Management and Tourism Training Centers, development of Khumbu tourism area, and formulation and implementation of other district level projects. For the purposes, US \$12 million was provisioned.

3.2.4 The Seventh Plan (1985-90)

The Seventh plan aimed at increasing the high income level tourists so enabling the country to earn more foreign currency and also create new employment opportunities by utilizing the tourism industry to the fullest possible capacity (National Planning Commission 1986, 623-640). It also aimed at increasing the length of stay of tourists by extending tourism industry in such places where tourism infrastructure has come into existence. The plan also gave emphasis on the production of goods required for the tourists locally so curtailing the imports.

The Seventh Plan policies included launching of effective tourism promotion, and simplifying or reviewing the different types of taxes, fees, and other regulations that were currently hindering the growth of tourism industry in Nepal. The other policies of the plan were, to attract the investment of government and private sectors in tourism, to place more emphasis on trekking and Himalayan expedition, to attract more tourists from Asian nations, to make necessary infrastructure like hotels and airports more efficient, to provide encouragement while issuing license to tourism related industries, and to conserve the tourist centers including the conservation of religious, cultural, and historical places.

The Seventh plan programs comprised of promoting mountain tourism, undertaking more tourism survey and research, development of resort areas, strengthening of tourist services, development of Pokhara tourism, production and distribution of publicity materials, establishment of new tourist center, providing more tourism training through Hotel Management and Tourism Training Center, effective police management in tourist areas so as to provide more security to the tourists and so on.

Tourism planning during the time period 1971-90 has become more matured as compared to the previous period. The formulation of master plan and implementation of tourism projects in accordance with the said plan from the Fourth Plan onwards could be considered as a note worthy achievement in field of planning. As a result, the number of tourist arrivals increased from 45,970 in 1970

to 254,885 in 1990, the increase being 5.5 times. Gross foreign exchange earnings increased from \$ 1.3 million in 1970 to \$ 57.6 million in 1990.

3.3 Tourism Planning since 1990

Tourism planning in this period consists of three economic development plans as under:

-) The Eighth Plan (1992-97)
-) The Ninth Plan (1997-02)
-) The Tenth Plan (2002-07)

This section briefly describes tourism planning undertaken in the above-mentioned economic development plans.

3.3.1 The Eighth Plan (1992-97)

The Eighth Plan also recognized the tourism as a major industry earning foreign currencies (National Planning Commission 1992, 436-461). The Eighth Plan aimed at developing Nepal as final destination for tourists and to operate the tourism industry as main source of employment generation by implementing the policy level activities in regard to the following:

-) Tourism promotion and publicity
-) Adventure tourism development
-) Private sector mobilization and facilities
-) New infrastructure development
-) Administrative reform

-) Extension of services of Nepal Airlines Corporation
-) Developing Tribhuvan International Airport as a focal point
-) Standard domestic and international air services
-) Private sector encouragement in domestic air services
-) Use of Nepal sky for international air services
-) Manpower for standard civil aviation services

The Plan also proposed various reforms in the organizational structure of Ministry of Tourism in order to execute aforementioned policies efficiently. The Plan also set out various targets and programs that may be seen in a nutshell as under:

-) Development of mountain tourism
-) International contact and market management
-) Tourism research and survey
-) Production and distribution of publicity materials
-) Development of cultural and religious tourism
-) Extension of tourism services and facilities
-) Implementation of Tourism Promotion Development Project and Tourism Manpower Development Project
-) Extension of physical facilities of different airports

The study of various plans revealed that policies adopted in different national plans are found to have changed their weights during each plan period resulting to discontinuity and inconsistency. Therefore, realizing the need to have a

comprehensive and consistent policy document, a sectoral Tourism Policy was brought out by the government in 1995 for the first time in the history of tourism development.

3.3.2 Tourism Policy 1995

Government of Nepal came up with Tourism Policy 1995 for the first time as a deliberate policy for the tourism development in Nepal. The policy was elaborated in the Eighth Plan. The tourism policy was formulated to increase national production and income, foreign exchange earnings, employment opportunities, and regional balances, and to acquaint Nepal in the international scene more effectively. The basic objectives of this tourism policy were:

-) Developing tourism as major economic force (Linkage)
-) Diversifying down to rural areas (Employment, foreign exchange, regional balance)
-) Improving cultural, natural and human environment for growth and expansion of tourism industry
-) Projecting national image as a Tourist Center with qualitative service and needed safety.
-) Specific policies can be summarized as:
 -) Government role limited as coordinator and motivator
 -) Government focus be on infrastructure facilities
 -) Encouraging private sector to apply novelty in product upgradation
 -) Private sector focus on quality enhancement of service and facilities

-) Integrated approach to environmental conservation based on local participation for sustainable tourism
-) Partnership between public and private sector through institutional structure of tourism council – Ministry of Tourism – autonomous Nepal Tourism Board.

The policy classified different tourism businesses into, classified hotel industry, resorts, travel agency, trekking agency, rafting agency, classified restaurant and bars, entertaining and courageous tourism business, and training centers that produce manpower for tourism industry.

The policy clearly stated that it will provide facilities and concessions to tourism related industries as per Industrial Enterprises Act 1993 and Foreign Investment Technology Act 1993.

The policy clarified that Nepal Tourism Board would carry out all the functions stated in the policy. Basically, the Board would act as an advisory body on matters relating to tourism, including the following:

-) Formulate principal policies for tourism development in Nepal.
-) Coordination of sectoral policies within the set of national development policies.
-) Integration of tourism into the development plans in the industrial, social and infrastructure sectors.

-) Establishment of a Master Plan for tourism and elaboration of detailed project proposals.
-) Implementation of plans and programs in tourism.

The Board has no direct executive powers. The responsibility of implementation of its decision lies with the state organs at national and regional levels.

In a nutshell, the Eighth plan document showed efforts in broadening development objectives for tourism with policy focusing mainly from community, industry as well as tourist perspectives mentioning the need to improve quality and facilities, to promote environment at historical, cultural, and natural heritage sites, to provide incentives for investment to private sector, to simplify procedure for regulating industry to adopt liberal air policy, and to develop adventure activities (Shrestha 1997, 6).

The various problems observed in the tourism sector during the Eighth Plan were as follows (NPC 1997, 463/64):

-) Limited international seat capacity, which is crucial link between Nepal and the outside world.
-) Inadequate provision of physical facilities and modern communication and navigational aids equipment at the domestic air ports to make domestic civil aviation safe and qualitative.
-) The effect of seasonality has not been minimized with a view to expanding year round attractions.

-) Tourism destinations, services and facilities have not come up to the demand of modern tourists.
-) Nepal has not been publicized in the international market on a competitive basis.
-) Inadequate tourism activities to extend the duration of stay.
-) Tourism infrastructure is limited only to a few geographical areas.
-) Inadequate retention of tourism receipts.
-) Per day tourist expenditure is very low as compared to other destinations.
-) The tourism sector has very poor forward and backward linkages with other economic sectors.
-) No effective land use plan and pollution control measures to maintain the attraction features of the destinations.
-) Inadequate and poorly developed institutional mechanism in the government and the private sector for qualitative improvement of tourism.

Thus, the Eighth Plan was able to identify the various problems of Nepalese tourism. The various policies, targets and programs of Eighth Plan were appreciable but there was a gap in the implementation process as was the case with previous plans.

3.3.3 The Ninth Plan (1997-02)

For the first time in the history of planned development, the Ninth Plan felt need for setting up long-term objective and long-term strategy. The long-term objectives were to develop tourism sector as an important part of the overall economic development, to establish Nepal as a premium destination on the world tourism map, and to expand the benefits of tourism down to the village level. The long-term strategy included strong and efficient civil aviation, physical development of tourist cities and rural areas, diversification of tourism products, mobilization of local communities

in the conservation and management of tourist resources, conservation of tourist resources, and so on.

The Plan came up with the target of increasing tourist arrival by an annual rate of ten percent and the tourism receipt by twenty percent during the Ninth plan period. In the first year of the ninth plan, an estimated 4,20,000 tourists were expected to visit the country. The number was expected to reach 6,76,414 by the final year of the plan period. Similarly an estimated US\$ 213 million was expected in terms of receipts in the first year and US\$ 527.6 in the final year.

To achieve the objectives and targets, the Plan came up with the following policies and programs:

-) Additional destinations will be developed and diversified on the basis of feasibility study.
-) Historical, religious and cultural sites, temples and monasteries scattered throughout the country will be registered in the form of national heritage sites; they will be conserved and used for tourism purpose.
-) An inventory of lakes, caves, waterfalls and historical facts will be prepared so as to develop them into tourist destinations.
-) Indigenous culture, traditional hospitality and tribal traditions will be preserved and promoted to enhance tourist attractions.
-) New trekking routes and climbing peaks will be opened up in a methodical manner.
-) Local bodies in each development region will be encouraged to develop a model tourist village.

-) Quality of the tourism products and services available in the central region will be upgraded. Special interest tourism spots will be expanded in the eastern and mid and far-western regions.
-) A survey will be carried out into Kathmandu valley's cultural heritage, festivals, and cultural and religious traditions. Festival tourism will be promoted in the valley.
-) Periodic studies and evaluation will be carried out into the inputs, outputs and effects of the tourism investments.
-) Rafting will be operated on the major river systems wherever it is feasible.

The policies and implementation strategy included various strategies on tourism infrastructure development, expansion and diversification of tourist attractions, tourism marketing and promotion, air transport development, environment protection, and mobilization of private sector. The plan also spelled out various programs on tourism site development, tourism infrastructure development, model tourist village, mountain tourism development, tourism promotion program, international contact, tourism human resources development, and civil aviation program.

The study of tourism planning during the period 1991-1999 reveals that tourism planning has gone more realistic and comprehensive. The tourism problems perceived could also be considered realistic. Many new efforts were made to enhance growth in tourism. The new avenues were sought for tourism promotion. As a result, the number of tourist arrivals increased from 254,885 in 1990 to 491,504 in 1999, the increase being 1.9 times. Similarly, gross foreign exchange earnings increased from \$63.7 million in 1990 to \$168 million in 1999.

The Ninth Plan achievements for tourism sector came up mixed results. The Ninth Plan emphasized effective tourism marketing in the international arena so as to establish Nepal into a prime tourist destination. The development of traditional arts into an industry, that creates new employment opportunities, increase income and foreign currency generation; and to flow back the benefits incurred by tourism to the rural areas were also emphasized by the Ninth Plan. For the purpose, “Destination Nepal Year 1998” was launched and various programs to generate awareness on tourism, attract local investment on tourism related areas, recognize new probable tourism sites, promote effective communication in the international level, and re-establishment of tourism image in the international arena was successfully implemented. New air agreements were established with neighboring countries, existing ones renewed and more numbers of air seats were added in a bid to increase air routes. In the period of Ninth Plan, with the help of various international donor agencies infrastructure development works was conducted in different hilly, mountainous and busy local airports; improvement in runways, more equipments was added; standard of Tribhuvan International Airport was improved; parking areas and terminal buildings extended; fire extinguishing services strengthened; and various other physical facility services have been improved.

Though the Ninth Plan target was to achieve 10 percent annual growth rate in tourist arrivals and 20 percent growth rate in foreign currency generation, such targets were not achieved. The average annual growth rate in tourist arrivals has been observed to be –0.7 percent while the same for foreign currency generation has been observed to be about 5 percent only. The average length of stay by tourists was expected at 13 days but the same was observed to be 10.49, 10.76, 12.28, 11.88 and 10.49 respectively through 1997 to 2002.

Likewise, income from tourist was expected to achieve USD 60 per tourist per day, however in 2001 it has been achieved at USD 45.5. In 2002 the Ninth Plan states to provide direct employment to 111,329 though by the end of 2001 it has been assumed to have provided to only 80,000. Contribution from this sector to the total foreign currency income generation and total gross domestic product has been 12 percent and 3.1 percent respectively.

The tourism sector has been affected by the following prime incidents towards the end of Ninth Plan or beginning of the Tenth Plan:

-) The hijacking of the Indian Airlines flight that lead to the termination of all its flights to Kathmandu for a very long time.
-) Jestha 2058 B.S Royal massacre that lead to a situation of uncertainty.
-) The 11 September 2001 attack on America and the Afghanistan war.
-) Political parties announcements to “bandhs”, strike and the nationwide emergency.
-) Lack of development of new tourist spots, and services that tourist avail not oriented towards rural areas.
-) Front and foremost relation has not developed between centre and local bodies due to the lack of coordination.
-) After the establishment of Nepal Tourism Board, there is a lack of co-ordination in programs and performance between private sector and government and within the private sector.

-) Analysis of issues and their status concerning price based quality tourism, direct and indirect employment & manpower, multiplicative benefits of tourism, standard of constructed infrastructure and cost benefit analysis of revenue generation from tourism is not completed.
-) Availability of air seats have been hampered due to the termination of Europe sector flights by Nepal Airlines, decrease in the number of schedule flight by international airlines and Nepal's private sector airlines not able to operate international flights.
-) Life rescuing services, communication mediums and fire control services has not proved to be reliable. Big aircrafts cannot approach in the only international airport situated inside the mountainous valley; if they do approach they have constraint to limited speed and weight. Hence, construction of new international airport in an appropriate place is necessary.
-) Lack of financial resource for conservation, preservation and campaigning of living heritage like cultural, historical and memorial sites. Lack of adequate standardization of heritage sites due to which some enlisted sites are in verge of losing their world heritage status.
-) Occupational use of arts and artifacts. Involvement of local communities for heritage management for self-sustainability is very low.

The Ninth Plan has came up with 15-year projection, which is the major feature of the plan. The projection included to increase tourist arrival to 1219 thousands, earning of foreign Currency (in million USD) to \$635 thousands, direct and indirect employment to 150 thousands and 200 thousands respectively, and increase contribution to GDP to 4.1 percent.

However, attempts to bridge the gap in implementation of tourism plans were considered to be a serious hindrance again.

3.3.4 The Tenth Plan (2002-07)

The Tenth Plan objectives included effective promotion of tourism sector achieving sustainable development by enhancing public participation thus contributing to poverty alleviation, to increase people participation in conservation of historical, cultural, religious and archaeological heritage and enhance their practical utilization, and to establish a standard airport and aviation service with adequate infrastructure development for domestic and international flight.

The major strategies comprised of establishing regional tourist hub center; creating pollution-free environment for the tourists; preserving and conserving historical cultural religious heritages; enhancing people's participation, and ensuring air services and airport with necessary infrastructure.

The main policies included promoting quality tourism; enhancing internal tourism strengthening economy; generating more employment opportunities specially to the rural women and deprived communities through cottage and handicrafts industries development, and implementing Destination Nepal Campaign 2002/2003. The Eco-Tourism Projects, Tourism Infrastructure Development Programme, World Heritage Site Conservation Projects, Second International Air-port Project were the main programs.

By the end of 2006, the Tenth Plan, among others, aims at increasing tourist arrivals to 516000, tourist stay period to 13 days, earning of foreign Currency to 205 million USD, earning per tourist per day to \$60, contribution to GDP to 3 percent, direct and indirect employment to 100 thousands and 125 thousands respectively.

The Tenth Plan strategy included generating massive participation, organizing public awareness programs regularly, expanding mountaineering, trekking, rafting and other adventurous activities to other sectors through participation of local bodies and NGO's, integrating eco-tourism concept while implementing programs in such a way that environmental conservation and social values are not bypassed, re-establishing Nepal as a beautiful and peaceful destination through clean environment, pollution control, polite behaviour, security and safety guarantees, preserving cultural richness and religious tradition, encouraging involvement of non-governmental sectors in management, preservation and utilization of cultural, religious, archaeological and natural heritage in accordance to decentralization policy, making air travel easily accessible, safe, standard and reliable. Similarly, the Tenth Plan also came up with various strategies to promote tourism in Nepal.

The Tenth Plan also came up with various programs to be conducted for the development of tourism sector. Among others, the major programs were conducting program by NTB at local levels to enhance public awareness towards

tourism in coordination with social organization and NGO's, and educational institutes, emphasizing local communities' involvement on developing new tourist spots, implementing code of conduct to reduce unhealthy competition, Categorizing natural, archeological, religious, cultural and touristic places, promoting participation of local women and backward community in conservation of physical and existing heritages, promoting low risk areas as touristic destinations, mobilizing national and foreign tour operators and friends of Nepal to promote tourism, developing satellite aided communication that supports to aviation safety, starting short-distance international flights to neighboring countries, constructing second international airport in an appropriate Terai region, privatizing RNAC or forming joint venture through organizational reforms during the plan, enabling RNAC to expand its network through agreements with other prestigious international airlines, and recording up to date data and information of culture, tourism and civil aviation sector, as well as international activities concerning the same.

For the first time, the Tenth Plan also came up with logframe for the development of tourism. The logframe consists of goals, policy, indicators, information source, major programs and external risk factor.

The Tenth Plan has also specified the determination of project priorities, programs to be operated during the Tenth Plan and estimated budget too.

Of all the development plans, the Tenth Plan is very comprehensive. It is more

specific and more detailed as compared to previous plans. There is however doubt in implementation of plan as in earlier plans. Based on the previous planning experience, it is yet to be seen how realistic will be the achievements.

3.4 Discussion

The history of tourism planning started with the First Five Year Plan (1956-61). Till 1970, tourism planning mainly aimed at making institutional arrangement, framing out tourism rules and regulations; and conservation of historical temples and places.

The most notable achievement during 1971-90 periods was the formulation of master plan and implementation of tourism projects in accordance with master plan. The Fourth Plan, among others, envisaged increasing the number of tourists by 40% annually, establishing hotels of different standards, developing various facilities for tourism in Pokhara, Chitwan, Lumbini, and Khumbu, and conserving historical, cultural, and geographical attractions. The Sixth Plan spelled out many programs, of which, the major ones were, development of mountain tourism, tourism survey and research, remote area tourism development, strengthening tourist information centers, distribution of tourism materials, strengthening Hotel Management and Tourism Training Centers, development of Khumbu tourism area, and formulation and implementation of other district level projects. The Seventh Plan policies mainly included launching of effective tourism promotion, attracting the investment of government and private sectors in tourism, undertaking more tourism survey and research, developing Pokhara tourism, providing more tourism training, and so on.

During the period 1990-00, the Eighth Plan aimed at developing Nepal as final destination for tourists, operating the tourism industry as main source of employment generation, and undertaking various reforms in the organizational structure of Ministry of Tourism. Likewise, the Ninth Plan aimed at establishing backward and forward linkages of the tourism sector with the national economy so as to develop it as an important sector for the overall economic

development, establishing Nepal as a premium destination in the world tourism market through effective publicity and promotion, and enhancing employment opportunities, income generation and foreign currency earning from the tourism sector thus extending these benefits down to the village level. Likewise, the Tenth Plan also emphasized tourism development much more. Its tourism objectives included effective promotion of tourism sector by increasing people participation in conservation of historical, cultural, religious and archaeological heritage, and establish a standard airport and aviation service with adequate infrastructure development for domestic and international flights. For the purpose, the major strategies formulated were establishing regional tourist hub center; creating pollution-free environment for the tourists; preserving and conserving historical cultural religious heritages; enhancing people's participation, and ensuring air services and airport with necessary infrastructure. The Tenth Plan can be regarded as more comprehensive, and specific in terms of tourism planning.

Thus, various planned efforts were made for the tourism development in Nepal. As a result, tourism industry has expanded well over a period of time. Substantial investments were made in tourism infrastructure. Over a period of time, tourism planning has increased more in its scope. The 1972 tourism master plan was also revised in 1984 but it was not fully updated. As a result, recent periodic plans of the government did not address the tourism sector in a comprehensive way.

It is clear that the Nepalese plans have always added a new dimension in the planned approach for tourism development, however, the performance is at a low level. There is a strong gap between planning and performance of tourism sector in Nepal. Though some periodic planning including master plan 1972 have specified planned development of some localities, there was a virtual absence of comprehensive planning exercises at micro level.

EXTRA materials not needed

On the basis of policy perspectives from the interest of varied players in tourism the following programs were implemented in Nepal (Shrestha 1997, 7/8):

) Community and tourism perspective: Community based rural tourism development program under Annapurna Conservation Area Project is one the best referred model to address the need of community along with visitors satisfaction. Similarly Sagarmatha area, environmental management by local community supported by NGO, is another good example of implementing policy from

community and tourist perspectives. Sagarmatha Pollution Control Project is funded from the revenue ploughed back to the area through the government. This model is extended in other areas like upper Mustang, and North Gorkha and is in the process of replication in other environmentally fragile areas.

) Industry and government perspective: Role of private sector in Nepal's tourism development is very significant. Government is maintaining its role as facilitator and limiting its function on infrastructure building. From time to time, there has been efforts to have effective coordination for the role of private and government sector. As spelled out in the 1995 policy, formulation of separate act to form an autonomous Nepal Tourism Board comprising majority of members from the private sector is a note worthy step in the direction of institutionalizing public private partnership.

) Community and government perspective: In order to spread tourism activity in different parts of the country, Tourism Development Fund is created at the Ministry level to support infrastructures provision at community level.

Government, community, industry, and tourism perspective:

The comprehensive program, which addressed simultaneously the policy perspectives from all four players, was the Visit Nepal Year 1998 (VNY). It was declared in 1996 designating 1998 as the special year. In preparation for the VNY 1998, local communities were supposed to identify special attractions in their respective areas and then plan to make these attractions presentable to domestic,

regional as well as international tourism. It was an opportunity to the community to place their location at the tourism map of Nepal. Similarly, VNY was the program providing opportunity to industry to have their product and services upgraded as well as redesigned to charge prime price. Industries were supposed to have added new product or expanded their product lines and service ranges or they could have product differentiation to get out of price competition. VNY was also providing opportunity to tourists to experience new and qualitative products and services. Tourists would have chance to enjoy diversified attractions within short duration and within single country destination making it a more cost effective. Even for the government, VNY was an opportunity to generate more foreign exchange with additional arrivals and correct regional economic imbalances.

Chapter 4

Performance of Nepalese Tourism

The macro perspective of performance of tourism in the country is analyzed in terms of demand and supply sides. This chapter aims at analyzing the nature of demand for Nepalese tourism, kind of tourists who demand Nepalese tourism, reasons and seasons for demanding Nepalese tourism, and the benefits derived by tourism to the host country. It also examines how the demand for Nepalese tourism has changed over a period of time. In the second section, the efforts are made to analyze if the supply side of Nepalese tourism is sufficient enough to meet the demand for Nepalese tourism. This chapter has been divided into two sections. The first section is devoted to demand side of Nepalese tourism that describes the profiles of tourists demanding Nepalese tourism, tourist originating sources, purpose of visit by tourists, seasonality in Nepalese tourism, and benefits of tourism to the host country. The second section devoted to the supply side of Nepalese tourism analyzes the growth in hotel industry, tourism manpower supply, airliners engaged in carrying international visitors, and tourism development investment.

4.1 Demand and supply sides of tourism

The basic tourism concepts consist of demand-side concepts and supply-side concepts (Smith 1995, 22). Demand-side concepts include classifications of individuals and of trips. In other words, the demand side includes the demand for travel in tourist

originating countries. The patterns of tourist movement between different areas of the world reflect the culture, climate, economy and stage of development of the areas where tourist normally live, and of the places they visit. In tourism, it is important to understand holiday taking behavior in tourist originating countries. The propensity to take holidays, and preferences for destinations may change over time.

Tourism supply is the result of all those productive activities that involve the provision of the goods and services required to meet tourism demand and which are expressed in tourism consumption (Sessa 1983, 59). It includes tourism resources, infrastructures, receptive facilities, entertainment and sport facilities, and tourism reception services (Shaw and Williams 1994, 97). The success of tourism lies in quality and quantity of these various supply components. The supply is interrelated to all other aspects of tourism and it should be matched with demand. It is an important part of policy considerations. Tourism supply focuses on physical and human resources that the tourist comes in contact with.

4.2 Demand side of tourism in Nepal

The amount of demand for travel to a particular destination is of great concern to anyone involved in tourism. Vital demand data include (1) how many visitors arrived, (2) by what means of transportation, (3) how long they stayed and in what type of accommodations, and (4) how much money was spent (Goeldner *et al.* 2000, 396). The next section of the study is devoted to these various issues in the context of Nepal. The study of demand is of great interest to anyone planning future tourism developments.

4.2.1 Patterns of demand for Nepalese tourism

Traditionally, Nepal was isolated from the outside world. It was first opened to foreign visitors only in 1951 (Belk 1993). Nepal emerged as a tourist destination after Tenzing and Hillary scaled Mount Everest in 1953. It is stated that over a hundred small and large mountaineering expeditions visited Nepal during the period 1950-1960 (Koirala 1997, 1). Besides, several embassies and missions were opened in the 1950s, which led to the inflow of diplomats and their families. Diplomatic tourism was then followed by hippy tourism in the 1960s. With the exit of hippy tourism, Nepal became a popular destination for the mountain or adventure tourism from the mid 1970s. In 1990s, the additional emphasis has been placed on ecotourism.

The demand for Nepalese tourism was not known during 1950s. The authentic data were not available to indicate how many tourists visited Nepal in 1950s. It was stated that 6,179 tourists visited Nepal in 1962, which increased to 45,970 in 1970, and 156,123 in 1978. Table 4.1 shows the tourist arrivals in Nepal classified by modes of transportation from 1982 to 2005. In 1982, 175,448 tourists visited Nepal, which increased to 491,504 tourists in 1999, the increase being 2.8 times. The tourism in Nepal has grown substantially till 1999 and then the number of tourists visiting Nepal declined slowly and steadily, which declined to 375,398 in 2005 mainly due to Maoist insurgency problems in the country. Clearly, the demand for Nepalese tourism would have grown much more had there been no such insurgency problems.

Tourist travel by air consists of both Indians and non-Indians while travel by land includes only the non-Indian tourists. The data on Indian tourists visited by land are simply not available. Viewed in this way, the reported figures for tourist arrivals are

under-stated. Despite of data limitation, the increasing trend in demand for Nepalese tourism is quite clear when studied the tourist arrivals from 1982 to 1999. There has been a continuous increase in the number of tourists visiting Nepal in all the years except for 1984, 1989 and 1993. In 1989, the Indian market suffered due to the trade dispute with India.

Table 4.1 : Demand for Nepalese tourism – tourist arrivals by air and land

Year	By Air		By Land		Total Number	% change over the last year
	Number	% of total	Number	% of total		
1982	153,509	87	21,937	13	175,448	-
1983	152,470	85	26,935	15	179,405	2.3
1984	149,920	85	26,714	15	176,634	-1.5
1985	151,870	84	29,119	16	180,989	2.5
1986	182,745	82	40,586	18	223,331	23.4
1987	205,611	83	42,469	17	248,080	11.1
1988	234,945	88	30,998	12	265,943	7.2
1989	207,907	87	32,038	13	239,945	-9.8
1990	226,421	89	28,464	11	254,885	6.2
1991	267,932	91	25,063	9	292,995	15.0
1992	300,496	90	33,857	10	334,353	14.1
1993	254,140	87	39,427	13	293,567	-12.2
1994	289,381	89	37,150	11	326,531	11.2
1995	325,035	89	38,360	11	363,395	11.3
1996	343,246	87	50,367	13	393,613	8.3
1997	371,145	88	50,712	12	421,857	7.2
1998	398,008	86	65,676	14	463,684	9.9
1999	421,243	86	70,261	14	491,504	6.0
2000	376,914	81	86,732	19	463,646	-5.7
2001	299,514	83	61,723	17	361,237	-22.1
2002	218,660	79	56,808	21	275,468	-23.7
2003	275,438	81	62,694	19	338,132	22.7
2004	297,335	77	87,962	23	385,297	13.9
2005	277,346	74	98,052	26	375,398	-2.6

Source: MOCTCA, *Nepal Tourism Statistics*, Kathmandu (Related issues).

The annual variations in tourist arrivals fluctuated far and wide. The average annual growth rate in tourist arrivals may be seen as 1.06 percent during 1982 to 1985, 7.63 percent during 1986 to 1990, 7.88 percent during 1991 to 1995, 5.15 percent during 1996 to 2000, and minus 2.34

percent during 2001 to 2005. Clearly, the average annual growth rates of tourist arrivals increased continuously till 1996 to 2000 and then they declined thereafter. Despite of so much of emphasis placed on tourism at the planning and policy levels, average annual growth rates could not increase significantly even before the insurgency problems in the country.

If Nepal's population is to be taken at 25 million in 2005, the proportion of tourist arrivals to Nepal's population is simply 1.5 percent, which is quite low as compared to other nations. It is reported that the growth in tourist inflow in Nepal has not been as great as it has been for other nearby destinations in Asia, such as 9.6 million tourists in Thailand, 6.3 million tourists in Singapore, 5.1 million tourists in Indonesia, and 2.7 million tourists in India in 2004 (India Tourist Statistics, 2004). In 1998, 'Visit Nepal Year' campaign was undertaken with a target to increase tourist inflow to 500,000 but it ended up with 463,684, which is not bad. The similar efforts are necessary to increase tourist inflow in the country.

4.2.2 Mode of travel

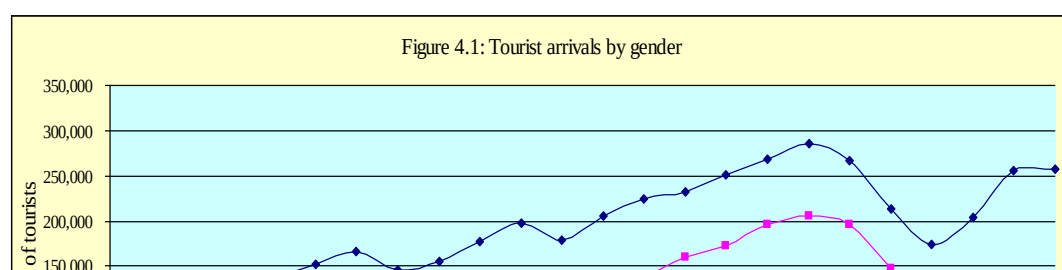
Travel often constitutes the single greatest expenditure item in a traveler's budget (Smith 1995, 31). Modes of travel are first classified as being air, water, or land-based. Each of these may further be divided as suggested by World Tourism Organization (1994).

Nepal can be visited either by air or by land. Being a landlocked country, she does not have a direct access to the sea. The tourists' preference for modes of transportation shows that the majority of tourists visit Nepal by air. The percentage of tourists who visited by air was 87

percent in 1982, which increased to 91 percent in 1991. In recent years, there has been some decline in tourists visiting by air, for example, only 74 percent of tourists visited Nepal by air in 2005. Though the tourists' demand for modes of transportation seems to have changed over a period of time, these percentages are, however, overstated since the figures for land travel by Indians are not available.

4.2.3 Sex composition of tourists

Richter stated that gender and race issues are more important than nation or class issues in tourism analysis (Richter 1995, 71). Not only women travelers comprise a significant number but they are also the primary decision-makers in the majority of cases. For example, women comprise 40 per cent of US business travelers and have even been found to handle the stresses of business travel with more aplomb than their male counterparts (Richter 1995, 73). In Nepal, males visitors dominate the majority of tourists. Of the total tourists, male tourists comprised of 62 percent in 1982, 66 percent in 1984, 58 percent each in 1998, 1999 and 2000, and 69 percent in 2005. The tourist arrivals classified by gender from 1982 to 2005 shows that male tourists exceeded female tourists in all the selected years of study period Appendix 4.1. The domination of male tourists may be seen clearly from Figure 4.1 as well.

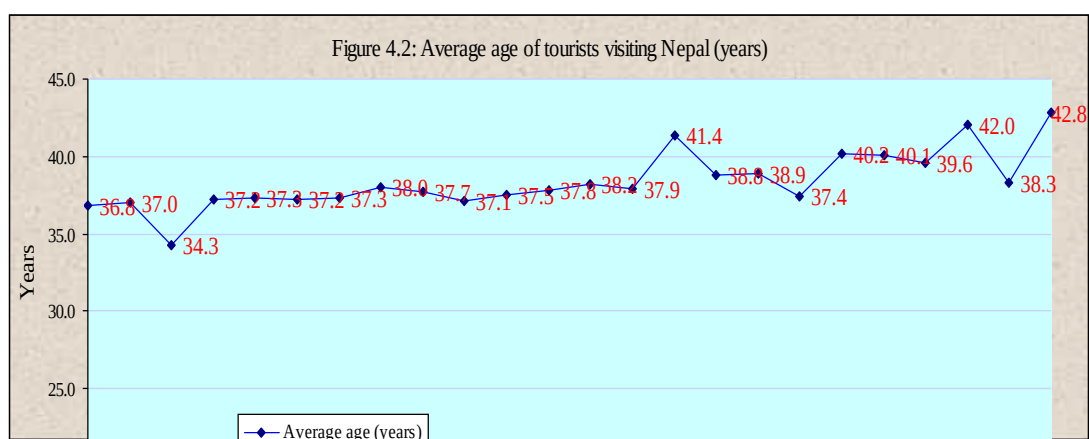


Due to the male domination in Nepalese tourism, the male tourists increased more than the female tourists over time. The male tourists increased by 2.38 times while the female tourists increased by 1.75 times in 2005 over 1982. *Therefore, there is a need to pay more attention to increase female tourists.* If this trend continues, the gender issue may play an important role in tourism promotion. This is so because women are the key players in family travel decisions and their status has progressed over time toward greater equality in the social hierarchy (Andes 199; Chafetz, Lorence and Larosa 1993). With the increase in female tourists, male tourists are also likely to increase much more.

4.2.4 Age structure of tourists

Another consideration in tourism demand analysis is the age factor of the tourists. Research in travel and tourism has identified age as an important factor that affects tourists' choices of destinations and activities (e.g., Mansfeld 1992; Vogt 1978). Specifically, young tourists place

more importance on prestige, novelty and diversity of destination sites because doing so satisfies their needs for social consistency and social approval. Mature tourists, on the other hand, emphasize the facilities of destination sites because they tend to be concerned with satisfying needs for self-consistency and self-esteem rather than social consistency and social approval (Sirgy and Su 2000, 340). Hence, age factor is particularly important in designing tourism promotion strategies. In Nepal, when the tourists are classified by age groups of 'below 15 years', '16-30 years', '31-45 years', '45-60 years' and '61 years above' through out the period from 1982 to 2005, the majority of the tourists are in the age groups of 31-45 years (Appendix 4.2). In other words, tourists in the age groups of '31-45 years' demand Nepalese tourism more. In 1982, the most popular age group of tourists was '16-30 years' followed by the age groups of '31-45 years', '46-60 years', 'above 61 years' and 'below 15 years'. In 1995, there has been some shift in this pattern indicated by the fact that the most popular age group of tourists has been noticed to be '31-45 years' followed by '16-30 years', '46-60 years', 'above 60 years' and 'below 15 years'. In 2005, there has not been a significant shift in this pattern indicated by the fact that the most popular age group of tourists has been noticed to be '31-45 years' followed by '46-60 years', '16-30 years', 'above 60 years' and 'below 15 years'. Due to this, there has been some increase in the average age of tourists visiting Nepal. Figure 4.2 shows how the average age of tourists has been increasing slowly and steadily over time. It has increased from 36.8 years in 1982 to 37.9 years in 1995, and 42.8 years in 2005. If this trend continues to increase, the age of tourists may play an important role in developing tourism policy.

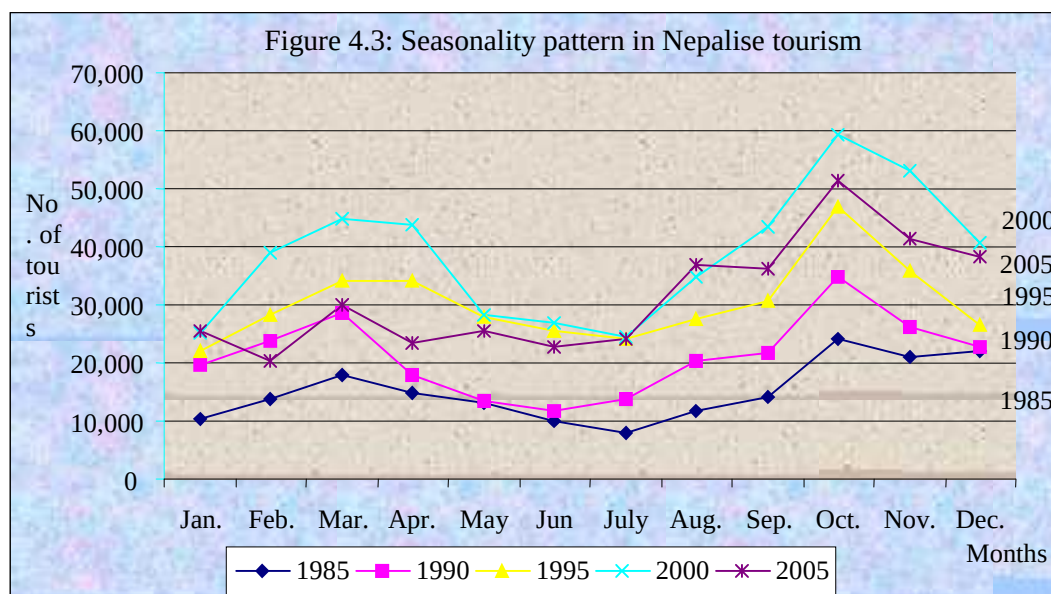


4.2.5 Seasonality in tourist inflows

Seasonal nature of demand is one of the major characteristics of the tourism industry (Laws 1995, 18). In some cases the pull of a destination's tourist resources largely determines the timing of arrivals while in other cases, arrival patterns are determined mainly by driving factors in the originating region. Tourism is by its very nature subject to considerable seasonality. While seasonal fluctuations in demand can sometimes be reduced, they cannot be eliminated (Goeldner *et al.* 2000, 430). Thus, when tourism is the primary industry in an area, the off-season periods inevitably result in serious unemployment problems.

As tourism is a service industry, it is not possible to stockpile the product – a hotel room that is unsold on a particular night, an unsold seat on a flight or an unsold theatre ticket all have an economic value of zero (Cooper *et al.* 1998, 72). Seasonality of demand therefore causes major problems for the tourist industry. The purpose of this section of the study is to examine and estimate the seasonal concentration of international tourist arrivals in Nepal. The seasonality

pattern in Nepalese tourism for the selected years may be seen from Figure 4.3 while further details may be seen from Appendix 4.3. Some kind of seasonality pattern in tourist arrivals does exist in the country. The peak seasons are around March-April and October-November of the year. The tourist inflow usually declines during May, June, July and December.



Though there is seasonality in tourism, the number of tourists did not decline to zero in any month. It indicates the presence of tourism throughout the year. Moreover, tourist inflow in any particular month of the year is, more or less, greater than that of the previous year, except for 2005. In any case, there is a seasonal demand for Nepalese tourism by tourists. The attempts are required to reduce any seasonality present in tourism in Nepal by undertaking various tourism promotion strategies at all levels, e.g., attracting Indian tourists during May-June when most

Indian cities are experiencing hot climate and when schools and colleges are closed for summer vacation.

It may be interesting to study the variation in tourist inflows from 1982 to 2005, which is shown in Table 4.2. The monthly mean tourist inflow has increased over a period of time but at the same time, variation in monthly tourist inflow indicated by standard deviations has also increased. The monthly mean tourist inflow increased from 14,621 in 1982 to 21,240 in 1990, 30,283 in 1995, 40,959 in 1999, and then declined to 31,283 in 2005. In order to determine the variations in tourist inflows, standard deviations were computed for each year from 1982 to 2005. The standard deviations of tourist inflows were revealed to be 3,677 in 1982, 6,705 in 1990, 6,691 in 1995, 10,427 in 1999, and 9,505 in 2005. Hence, seasonal variation in tourist arrivals, which increased slowly and steadily over time reached the peak during 1999 to 2001, has now declined in recent years.

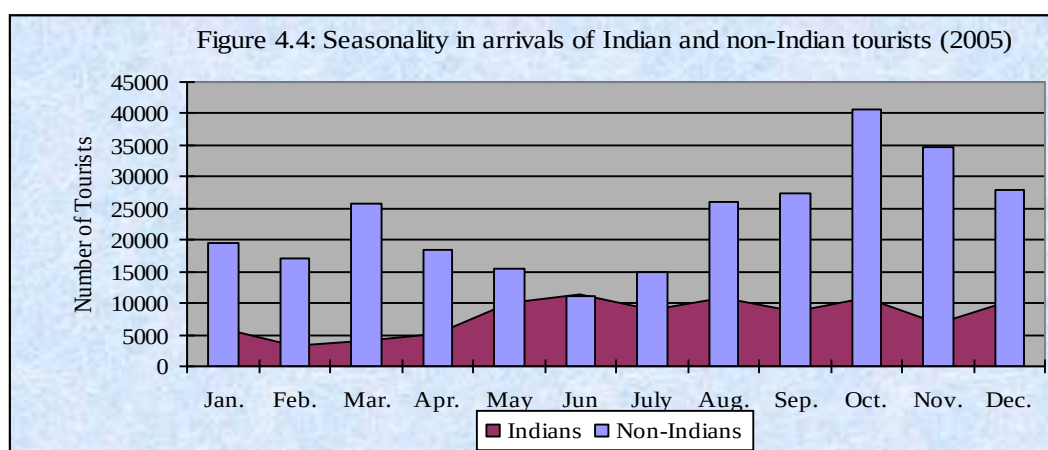
Table 4.2: Variations in tourist inflows, 1982-2005

Year	Monthly Mean	Standard Deviation	Minimum	Maximum
1982	14,621	3,677	10,918	23,067
1983	14,950	3,846	10,377	24,380
1984	14,720	3,894	8,149	22,468
1985	15,082	5,150	7,901	24,187
1986	18,611	4,831	11,746	29,034
1987	20,673	4,752	14,346	30,629
1988	22,162	6,175	12,731	33,377
1989	19,995	7,664	8,103	33,401
1990	21,240	6,705	11,619	34,975
1991	24,416	6,134	17,917	39,339
1992	27,863	6,441	17,451	42,647
1993	24,464	7,464	13,588	42,242
1994	27,211	5,078	19,739	39,393
1995	30,283	6,691	22,207	46,845
1996	32,801	6,679	22,684	47,314
1997	35,155	8,554	25,585	56,272
1998	38,640	9,455	27,895	62,487
1999	40,959	10,427	27,193	66,543

2000	38,637	11,110	24,480	59,195
2001	30,103	10,198	13,030	46,709
2002	22,956	5,653	16,621	35,272
2003	28,178	7,499	20,351	45,459
2004	32,108	7,309	19,793	44,290
2005	31,283	9,505	20,338	51,498

Source: Appendix 4.3

In Nepal, the available tourist statistics show that non-Indian tourists consist of significant number than the Indian tourists in almost all the months in the year as shown in Figure 4.4. The figure also reveals that the tourism in Nepal is subject to seasonal fluctuations as the number of tourists visiting Nepal varies greatly across different months. However, it is observed in and around June that the number of non-Indian tourists is a usually smaller and the number of Indian tourist larger. Hence, the attempts to increase Indian tourists in and around June would be a better strategy to promote tourism in Nepal. The similar is the situation if one studies the pattern over the years (Appendix 4.4 and Appendix 4.5).



In other words, the Indian tourists should be the target of Nepalese tourism at least during the off seasons due to vacation in schools and colleges caused by highest temperature of the year in most parts of India.

4.2.6 Tourism demand by major continents

In Nepal, majority of the tourists come from Asia followed by Western Europe, North America, Australia and Pacific, Eastern Europe, South and Central America, and Africa (Appendix 4.6). In 2005, 61.3 percent of tourists came from Asia alone, while 26.1 percent came from Western Europe, 6.1 percent from North America, 2.2 percent from Australia and Pacific, again 2.2 percent from Eastern Europe, 0.9 percent from Central and South America, 0.3 percent from Africa and the rest from other continents. In 1995, 49.6 percent of tourists came from Asia alone, while 36.8 percent came from Western Europe, 8.2 percent from North America, 3.2 percent from Australia and Pacific, 1.1 percent from Eastern Europe, 0.8 percent from Central and South America, 0.3 percent from Africa and the rest from other continents. In 1982, 42.1 percent of tourists came from Asia while 39.2 percent came from Western Europe, 11.4 percent from North America, 4.8 percent from Australia and Pacific, 1 percent from Central and South America, 0.8 percent from Eastern Europe, 0.4 percent from Africa and the rest from other continents. It all indicates that the number of tourists from Asia has increased over a period of time, while the same has declined for Western Europe. The actual number of tourists classified by major continents for the years 1982 and 2005 may be seen from Figure 4.5. Over 90 percent

of demand for Nepalese tourism come from Asia, Western Europe and North America. And there has not been any major change in the demand pattern over a period 1982-2005.

Figure 4.5: Tourist arrivals by continents in 2005 over 1982
(Figures in parenthesis indicate the number of trekkers in 1982)

Though Asia has been largest continent demanding Nepalese tourism, the majority of demand comes from India (Appendix 4.7). In all the selected years from 1982 to 2005, the majority of tourists were Indians. In 2005, 26 percent of total tourists were Indians while British constituted 7 percent. Similarly, Japanese, Sri Lankans and Americans constituted 5 percent each, while French and Germans constituted 4 percent each. The pattern is almost similar for other selected years of study. In 1982, the majority of tourists were Indians (31 percent) followed by Americans (10 percent), French (9 percent), Germans (7 percent), Japanese (5 percent), Italians (4 percent), Australians (4 percent), and so on. The actual number of tourists classified by major

nationalities for the years 1982 and 2005 is presented in Figure 4.6. It all shows that Nepal is well visited by tourists from countries other than India. If managed well, Nepalese tourism could be promoted in countries other than India. Over a period of time from 1982 to 2005, the demand for Nepalese tourism has increased for countries other than India. The share of Indian has declined over a period of time, while the share of other third countries increased (Appendix 4.7).

Figure 4.7 shows the arrival of Indian, non-Indian and total tourists in Nepal over a period of time from 1982 to 2005. There has been a continuous increase in the arrival of both Indian and non-Indian tourists from 1993 to 1999. It all shows that the popularity of Nepal as a tourist destination has increased over time. However, both the Indian and non-Indian tourists declined after 1999 due to insurgency problem.

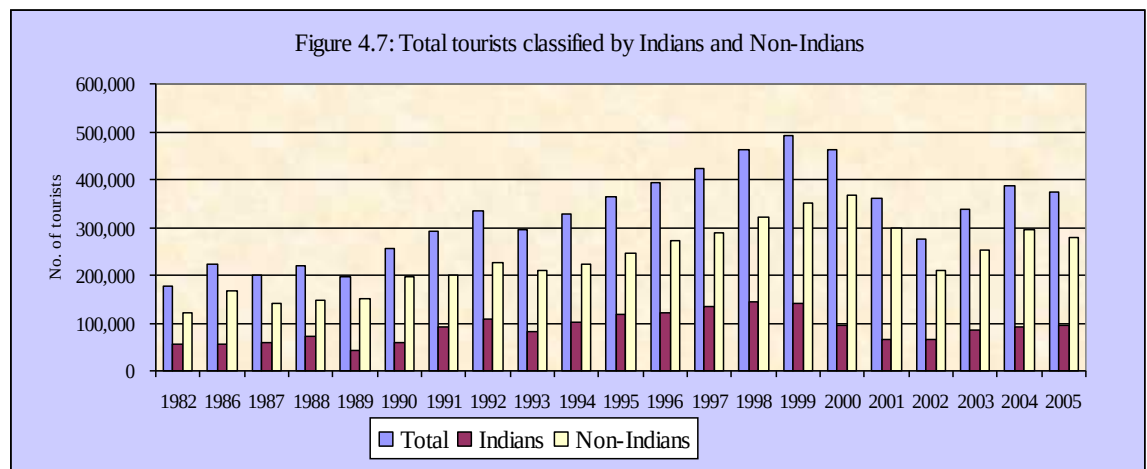
4.2.7 Purpose of visit

Trips may be classified according to the purpose of travel. Since 1994, the World Tourism Organization recognized six main purposes: pleasure, visiting friends or relatives, business, health, religion and others (World Tourism Organization 1994). Each of these may consist of a number of more specific motivations (Smith 1995, 27). In Nepal, purpose of visit has been classified into holiday and pleasure, trekking and mountaineering, business, pilgrimage, official, conventions and conferences and others. The major purpose of tourists' visit to Nepal has been holiday pleasure. In 1990, 63 percent of tourists visited Nepal for this purpose, which decreased to 43 percent in 2005 (Appendix 4.8). The second important purpose has been trekking and mountaineering which increased from 16 percent in 1990 to 24 percent in 1998

and then declined to 18 percent in 2005 perhaps due to increasing insurgency problem in the country.

Figure 4.6: Tourist arrivals by major nationalities in 2005 over 1982

(Figures in parenthesis indicate the number of trekkers in 1982)



In recent years, the pilgrimage has emerged as an important purpose since the tourists undertaking pilgrimage increased from 3 percent in 1990 to 12 percent in 2005. In absolute terms, there has been an increase in the number of tourists visiting Nepal for all purposes except for official purpose.

The majority of tourists from different countries visited Nepal either for holiday pleasure or for trekking and mountaineering. In 2005, the major purpose of tourists visiting Nepal has been holiday pleasure (43 percent), followed by trekking and mountaineering (16 percent), pilgrimage (13 percent), official (4 percent), business (6 percent) and others (18 percent). The further details may be seen from Appendix 4.9. The 2005 tourist arrivals by purpose of visit and major nationalities showed that holiday pleasure as a major purpose of visit was popular amongst almost all the major nationalities, such as Spanish (67 percent), Italians (59 percent), Netherlands (54 percent), Japanese (52 percent), Canadians (50 percent), Swiss (48 percent), Americans (46 percent), Britishers (45 percent), Indians (45 percent), French (43 percent), Danish (42 percent), Germans (41 percent), Austrians (41 percent), and Australians (40 percent). However the situation was different with Sri Lank, where 92 percent of Sri Lankans visited Nepal for pilgrimage. Apart from Sri Lankans, the second major purpose of visiting Nepal was trekking and mountaineering for all other nationalities. The tourists visiting Nepal for the purpose of business, official and pilgrimage represented less than 10 percent or so.

A study of tourist arrivals by purpose of visit and months for 2005 shows that tourists for holiday pleasure, business, official and other purposes mostly visited thorough out the year (Appendix 4.10). However, trekking and mountaineering tourism mostly took place in either around March-April or September-October. Though pilgrimage tourism is popular throughout the year, it is more popular in February-March and in October to December. There are also tourists who visit Nepal with business or official purposes throughout the year. It all indicates that there are some occasions for various forms of tourism in Nepal.

4.2.8 Eco-tourism

The tourism resources generate great demand for tourism and such resources include both natural and cultural assets. Many authors claim that the quality of natural attractions is a part of quality destination (Inskeep 1991, 339; Middleton 1997, 136; Mieczkowski 1995, 11). Destination attractions are recognized to be a factor of tourism destination competitiveness. Eco or nature tourism has become one of the major components of tourist activities these days. Initially seen as an alternative form of tourism, it has arguably gone the direction that Wheeler (1991) contended. Originally, ecotourism was proposed as a means to deal with negative environmental affects of mass tourism by encouraging small groups to act in environmentally friendly ways. However, several researchers (Butler 1990; Clarke 1997; Wheeler 1991) argued that this micro-solution to the macro-problem of mass tourism, this inherent mis-match between size and scale, could only produce an unstable, and hence evolving relationship. As Wheeler (1993) postulated, ecotourism has not replaced mass tourism.

Nepal is an excellent example of a destination where eco-tourism overlaps with adventure tourism, and the two are often indistinguishable (Parker 1993). Trekkers and their allies constitute an important force in the Nepalese tourism industry (Weaver 1998, 143). In 1987, Nepal officially hosted 47,275 mid-altitude trekkers, 25,844 wildlife tourists, 3612 rafters, 796 high-altitude mountaineers and 12 professional hunters (Parker 1993). The first two categories are both by far the most numerous and the most related to ecotourism, while rafters are readily classifiable as adventure tourists. Professional hunters are negligible as a niche market, while high-altitude mountaineers are a special non-trekker category (Weaver 1998, 143). In Nepal, there are many trekking routes but popular trekking routes may be seen as Everest trek; Helambu, Langtang Valley trek; Annapurna, Manang Jomsom trek, Dolpa trek; and Kanchanjunga trek. The controlled area treks may be seen as Mustang trek, Dolpa trek, Humla trek and Manaslu trek.

The demand for trekking in Nepal has increased much more over a period of time as indicated by the number of trekkers in important trekking areas (Appendix 4.11). The number of trekkers increased from 32,332 in 1982 to 84,787 in 1995, and to 118,780 in 2000, and thereafter the number declined to 61,448 in 2005. Though the number of trekkers fluctuated from time to time they increased slowly and steadily over a period of time until 2000. Of the several routes, the most popular trekking route has been Annapurna, Manang and Jomsom trek where the number of trekkers increased from 19,702 in 1982 to 50,012 in 1995, and to 76,398 in 2000,

and then declined to 36,224 in 2005. The second popular trekking route has been the Everest trek with the number of trekkers increased from 6,240 in 1982 to 14,997 in 1995, and to 26,788 in 1999, which then declined to 19,552 in 2005. The third popular trekking route has been Helambu Langtang Valley trek where the number of trekkers increased from 4,535 in 1982 to 8,427 in 1995, and to 10,952 in 1998, and then declined to 2,735 in 2005. The other trekking routes have the number of trekkers of less than 1,000. The trekking in the controlled area of Mustang, Dolpa, Humla and Manaslu was opened since 1993 only and these routes have been demanded by less than 1000 trekking tourists. The demand for these routes has not increased as it ought to be even after the lapse of more than a decade. Over a period of time, there has not been any significant change in the popularity of major trekking routes of Nepal. The popular trekking spots with the number of trekkers in 2005 over 1993 are indicated in Figure 4.8.

The trekking routes are scattered throughout the country from east to west but the demand has been mainly for Annapurna, Manang, Jomsom Trek, Everest trek, and Helambu Langtang Valley Trek. The demand for trekking in other areas, such as, Humla, Dolpa, Mustang, Kanchenjunga, and Manaslu has been much less, that is, less than 1000 trekkers. The number of trekkers increased only for Everest trek by 1.6 times; while the number declined for all other trekking routes in 2005 over 1993.

The average annual growth rate in the number of trekkers has not been uniform across different periods of time. Table 4.3 indicates that the average annual growth rate has been noticed to be 2.3 percent in 1982-85, 15.6 percent in 1986-90, 6.5 percent in 1991-95, 12.2 percent in

1996-2000, and minus 10.2 percent in 2001-05. Thus, the average annual growth rate in the number of trekkers has been highest during 1986-90, which declined to minus 10.2 percent in 2001-05.

Figure 4.8: Map showing major trekking areas with number of trekkers in 2005 over 1993

(Figures in parenthesis indicate the number of trekkers in 1993)

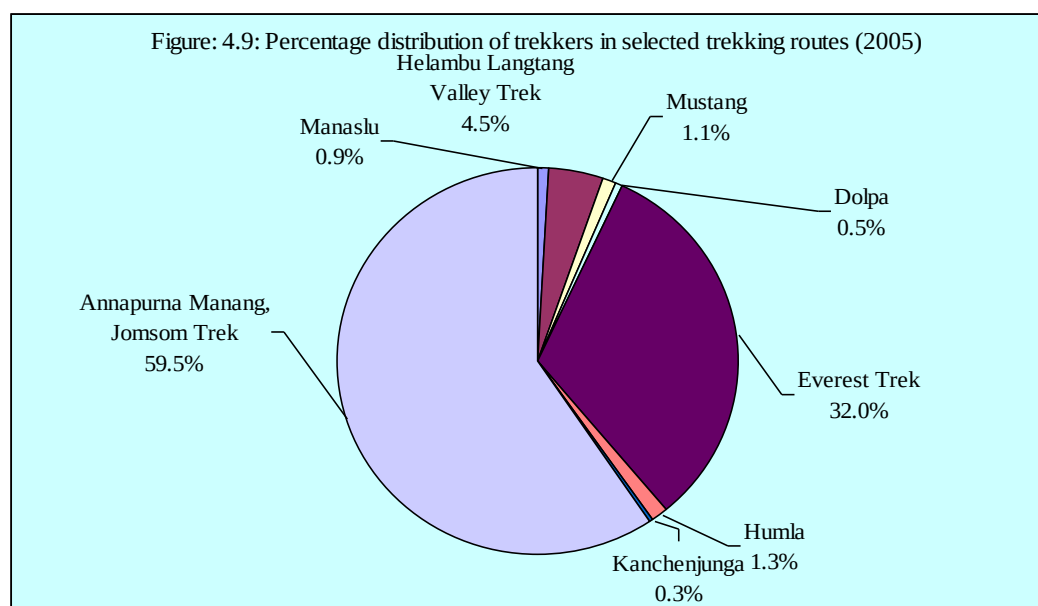
Table 4.3: Average annual growth rates in number of trekkers in selected trekking routes									
Year	Everest Trek	Helambu Langtang Valley Trek	Annapurna Manang, Jomsom Trek	Mustang	Upper Dolpa	Humla	Manaslu	Kanchan Junga	Overall average annual growth rate

1982-85	10.2	1.3	0.7	-	-	-	-	-	2.3
1986-90	7.1	12.2	17.6	-	-	-	-	116.6	15.6
1991-95	5.9	2.1	6.8	1.9	9.8	127.6	0.5	3.2	6.5
1996-00	12.6	7.4	9.1	5.7	13.8	35.7	1.2	(6.5)	12.2
2001-05	(3.2)	(22.3)	(12.0)	(4.9)	26.9	25.4	3.8	2.4	(10.2)

Source: Appendix 4.11.

The average annual growth rate in number of trekkers across different routes has not been uniform during different periods of time. During the period 1982-85, the average annual growth rate in number of trekkers was observed to be highest for the Everest trek (10.2 percent), followed by Helambu Langtang Valley trek (1.3 percent), and Annapurna, Manang and Jomsom trek (0.7 percent). However the situation was different during 1986-90 where the average annual growth rate was observed to be highest for Kanchenjunga trek (116.6 percent), followed by Annapurna, Manang and Jomsom trek (17.6 percent), Helambu Langtang Valley trek (12.2 percent), and Everest trek (7.1 percent). Similarly during 1991-95, the average annual growth rate was highest for Humla (127.6 percent), followed by Upper Dolpa (9.8 percent), Annapurna, Manang and Jomsom trek (6.8 percent), Everest trek (5.9 percent), Kanchenjunga trek (3.2 percent), and Helambu Langtang Valley trek (2.1 percent). During the period 1996-00, the average annual growth rate in number of trekkers has been highest for Humla trek (35.7 percent), followed by the upper Dolpa trek (13.8 percent), the Everest trek (12.6 percent), Annapurna, Manang and Jomsom trek (9.1 percent), Helambu Langtang Valley trek (7.4 percent), Mustang (5.7 percent) and so on. During 2001-05 period, the average annual growth rate declined in almost all the routes except for Upper Dolpa, Humla, Manaslu, and Kanchenjunga. Thus, the average annual growth rate in number of trekkers varied widely not only from one route to another but also from one period to another.

It is clear that all the trekking routes of Nepal are not equally demanded. Figure 4.9 shows the percentage of trekkers using different trekking routes or the demand for different trekking routes in 2005. Clearly, Annapurna, Manang and Jomsom route was demanded by about 59.5 percent of trekkers, while Everest trek was demanded by 32 percent and Helambu Langtang Valley trek was demanded by about 4.5 percent. The other trekking routes are demanded by about one percent or less.



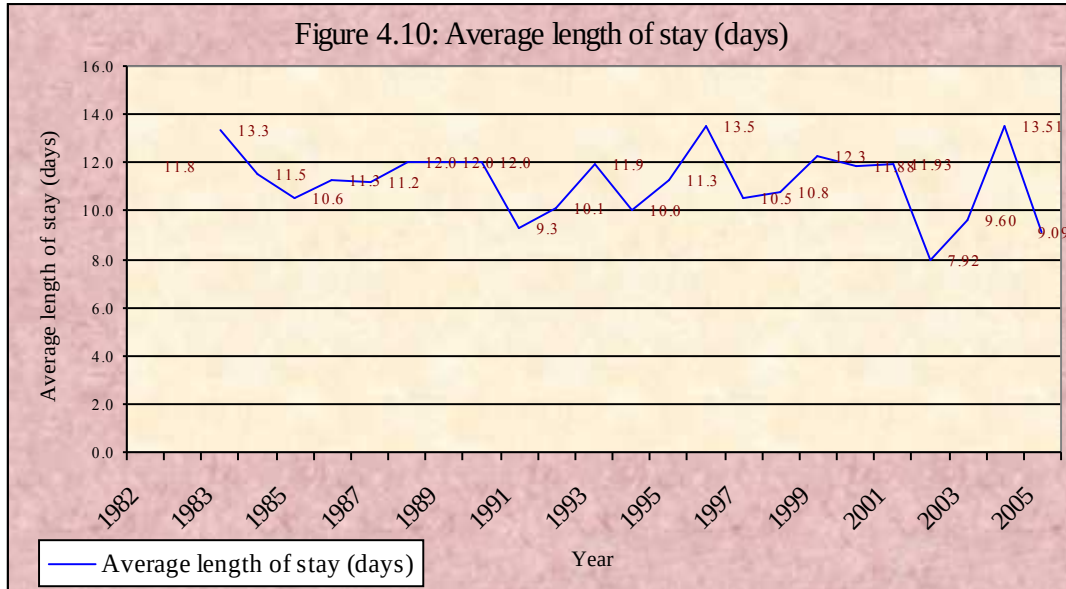
The trekking in Nepal is subject to seasonal variation too (Appendix 4.11a). Most of the trekking takes place in September through November (52 percent) or in March-April (21 percent).

The trekking tourism in Nepal is associated with various problems. One of the major problems is cleaning up of the litter in different tourist areas. In 1989, a special expedition was mounted to clean up the litter that lay around Everest base camp (Ryan 1991,96). Another major problem is concerned with the cutting down of trees for supplying hot water to tourists either for a wash or for shower after their day's trek. It was estimated that the trekking tourist burns about 14 pounds of wood per day with the result of further deforestation (Mader 1988). The government has thus had to develop schemes of afforestation, whilst stopping local people from using wood for heating, a practice previously carried out from time immemorial. The costs of tourism thus include, afforestation, and the starting of hydro-electric and other electrification schemes (Cullen 1986).

4.2.9 Length of stay

One of the criteria for defining tourism is the length of stay. A concept related to length of stay is 'overnight'. Staying overnight distinguishes tourists from same-day travelers. The temporal dimension of a trip is a distinguishing characteristic between same-day visitors and tourists (World Tourism Organization 1994). Length of stay is a particularly important variable in measuring tourism (Smith 1995, 27). The average length of stay by tourists in Nepal for the period 1982 to 2005 is presented in Figure 4.10. The average length of stay by tourists in Nepal could not rise over a period of time. The average length of stay was 11.8 days in 1982, which increased to 12 days in 1990 and 13.5 days in 1996. The average length of stay was noticed to be 11.88 days in 2000 and 13.5 days in 2004, which declined to 9.1 days in 2005. Thus despite of several efforts to increase length of stay at planning and policy levels, average length of stay

does not have a clear increasing trend over a period of time.



Most tourism studies dealt with the number of tourists in isolation. The number of tourists should be analyzed in relation to the average length of stay. In this connection, one of the important statistics to analyze is the total tourist days (or nights) in any year. The total number of tourists may decline but the decline cannot be taken as unfavorable if their length of stay is longer. Cooper *et al.* (1998, 81) recommended that a better measure of volume for many purposes is total tourist nights. Viewed in this way, it is necessary to calculate total number of tourist days, which is simply the total number of tourists multiplied by their average length of stay (Table 4.4).

The total number of tourist days increased from 2.33 millions days in 1982 to 4.095 million days in 1995, 6.04 million days in 1999, and 5.07 million days in 2005. The comparison of total number of tourists and the total number of tourist days revealed that the total number of tourists increased by only 2.14 times, while the total number of tourist days increased by 2.74 times in 2005 over 1982. Thus, total number of tourists declined but total number of tourist days increased over a period of time. Thus, the study of average length of stay in terms of tourist days is therefore important.

Table 4.4: Calculation of total number of tourist days

Year	Total number of tourist days
1982	2,338,722
1983	2,068,540
1984	1,863,489
1985	2,045,176
1986	2,492,374
1987	2,971,998
1988	3,191,316
1989	2,879,340
1990	3,058,620
1991	2,710,204
1992	3,390,339
1993	3,505,190
1994	3,265,310
1995	4,095,462
1996	5,313,776
1997	4,425,280
1998	4,989,240
1999	6,035,669
2000	5,508,114
2001	4,309,557
2002	2,181,707
2003	3,246,067
2004	5,205,362
2005	5,071,627

Source: MOCTCA, *Nepal Tourism Statistics*, Kathmandu (Related issues).

Appendix 4.12 shows the tourists' actual average length of stay by major nationality for 2005.

The average length of stay has been computed as a proportion of number of days stayed to a number of departure with specified length of stay. The same day visitors have also been indicated.

The study of average length of stay for 2005 revealed that the average length of stay is highest for nationals from Switzerland (15 days) followed by nationals from Spain (11.1 days), France (10.8 days), Germany and the Netherlands (10.4 days), UK and Canada (10 days), Austria (9.5 days each), Denmark (9.4 days), USA (9.1 days) and so on. The lowest average length of stay has been noticed for the nationals from India (6.4 days). Similarly, the study of average length of stay for 2004 revealed that the average length of stay is highest for nationals from Sri Lanka (21.8 days) followed by nationals from Switzerland (16 days), Spain (15.3 days), Austria and Germany (14.1 days each) Japan and Netherlands (13.8 days each), USA (13.6 days), and so on. The lowest average length of stay has been noticed for the nationals from UK (11.2 days). Thus the average length of stay varies greatly across the nationalities of different countries and also across different years. The tourism policy should focus attention to achieve consistency in this regard with particular emphasis on lengthening stay of those nationals whose length of stay is shorter. The reasons for not staying longer should be assessed and analyzed.

4.2.10 Revenue Generation

Governments promote tourism development in their jurisdictions in large part because of the potential for revenue-generation. Information on tourist expenditures is therefore of great interest to governments and private sector at all levels. It is often desirable to record

expenditures by same-day visitors separately from those of tourists (Smith 1995, 30). Expenditures for international travel fares should also be recorded separately from other expenditures (World Tourism Organization 1994). In Nepal, role of tourism has increased greatly in recent years as compared to other sectors like agriculture and industry. Tourism has benefited the host country greatly. In Nepal, tourism has been a major source of foreign exchange earnings as can be seen from Table 4.5.

The gross foreign exchange earning from tourism increased from \$33 million in 1982 to \$64 million in 1990, to \$117 million in 1995, and \$167 million in 2000, which declined to \$148 million in 2005. The gross foreign exchange earnings increased by 1.27 times in 2005 over 1995. In rupee terms, it increased from Rs. 440 million in 1982 to Rs.1,869 million in 1990, Rs. 6,059 million in 1995, Rs. and 11,827 million in 2000, which declined to Rs. 10,600 million in 2005. In rupee terms, it increased by 1.75 times in 2005 over 1995. However, growth in foreign exchange earnings fluctuated far and wide. In 2003, the growth was as high as 80.5 percent, while it was minus 23.8 percent in 2002 and minus 17.5 percent in 2005. However the year 2002 is not a good year to compare with since there was a huge decline in tourists in that year. The percentage change over the last year shows that foreign exchange earnings increased in all the years except for 1985, 1990, 1991, 1996, 1997, 2000 to 2002, and 2004 to 2005 over the previous year.

Table 4.5: Gross foreign exchange earnings in convertible currencies

Year	Total Earning US \$ Million	Rs. Million	% Change in US \$	Non- Indian Tourists	Average income per visitor, US\$	Length of stay Days	Ave. income per visitor per day, US\$
(1)	(2)	(3)	(4)	(5)	(6)=(2)/(5)	(7)	(8)=(6)/(7)
1982	33	440	-	121,247	275.8	11.84	23.3
1983	36	536	6.7	129,303	275.8	13.33	20.7
1984	41	679	15.7	117,917	350.0	11.53	30.4
1985	39	719	(5.1)	127,109	308.3	10.55	29.2
1986	51	1,078	29.7	168,136	302.4	11.30	26.8
1987	60	1,305	18.5	189,116	318.5	11.16	28.5
1988	64	1,487	5.4	193,885	327.5	11.98	27.3
1989	68	1,839	7.5	196,661	347.0	12.00	28.9
1990	64	1,869	(6.7)	195,121	326.5	12.00	27.2
1991	59	2,261	(8.0)	200,489	292.2	9.25	31.6
1992	61	2,838	4.3	227,779	268.2	10.14	26.4
1993	66	3,225	8.6	210,205	315.6	11.94	26.4
1994	88	4,342	32.9	223,991	393.7	10.00	39.4
1995	117	6,059	32.4	246,135	474.5	11.27	42.1
1996	117	6,600	(0.1)	271,101	430.3	13.50	31.9
1997	116	6,699	(0.6)	288,419	401.9	10.49	38.3
1998	153	10,024	31.6	320,455	475.9	10.76	44.2
1999	168	11,421	10.2	350,843	479.1	12.28	39.0
2000	167	11,827	(0.7)	367,731	453.7	11.88	38.2
2001	140	10,468	(15.9)	296,916	472.4	11.93	39.6
2002	107	8,301	(23.8)	208,691	511.9	7.92	64.6
2003	193	14,508	80.5	251,769	765.9	9.60	79.8
2004	180	13,147	(6.7)	294,971	610.0	13.51	45.2
2005	148	10,600	(17.5)	278,964	532.1	9.10	58.5

Source: MOCTCA, *Nepal Tourism Statistics*, Kathmandu (Related issues).

The growth in foreign exchange earnings has not been uniform across different periods of time.

The computation of average annual growth in foreign exchange earnings for different periods revealed the following:

1982-85 5.8 percent

1986-90 10.9 percent

1991-95 14.0 percent

1996-00	8.1 percent
2001-05	3.3 percent

The average annual growth rate in foreign exchange earnings went on increasing from 5.8 percent in 1982-85 to 10.9 percent in 1986-90, and to 14 percent in 1991-95, but it declined to 3.3 percent in 2001-05. Thus there has been a decline in average annual growth rate in foreign exchange earnings in recent years. The average growth rates should be checked from time to time and attempts should be made to improve upon them.

The total foreign exchange earnings may increase but average income per visitor may decrease or vice versa. Hence it is important to compute average income per visitor. The computation shows the increasing trend in average income per visitor over time. It has increased from \$275.8 in 1982 to \$532.1 in 2005, the increase being 1.93 times. However the annual growth in average income per visitor has not been uniform across different periods of time as can be seen from the following:

1982-85	5.0 percent
1986-90	1.3 percent
1991-95	8.8 percent
1996-00	-0.4 percent
2001-05	5.8 percent

The annual average growth rate in per tourist earnings fluctuated far and wide. It declined from 5 percent in 1982-85 to 1.3 percent in 1986-90, while it increased to 8.8 percent in 1991-95 but again declined to -0.4 percent during 1996-00. The annual average growth rate in per tourist

earnings has been observed to be 5.8 percent during 2001-05. Despite of so much of emphasis being laid down for tourism promotion, growth rate in earnings per tourist has not increased over a period of time significantly. The failure to maintain or increase the average annual growth rate in income per visitor is quite evident.

One of the key performance indicators of tourism policy and performance is to compute and analyze average income per visitor per day. The average income per visitor per day was \$23.3 in 1982, which increased to \$27.2 in 1990, \$42.1 in 1995, \$38.2 in 2000, and \$39.4 in 2005. The comparison shows that the average income per visitor per day increased by 1.45 times in 2005 over 1982. Again, the average annual growth rate in income per visitor per day has not been uniform across different periods of time. The computation revealed the following:

1982-85	10.6 percent
1986-90	-1.2 percent
1991-95	11.1 percent
1996-00	-0.5 percent
2001-05	6.8 percent

Again, the growth rate in annual average income per visitor per day fluctuated far and wide. It declined from 10.6 percent in 1982-85 to minus 1.2 percent in 1986-90. It then increased to 11.1 percent in 1991-95, but it again declined to minus 0.5 percent in 1996-00. The average annual growth rate in income per visitor has been revealed to be 6.8 percent in 2001-05. It is discouraging to note negative growth rates from time to time despite of so much of emphasis being placed on tourism development.

The idea about the extent of benefit provided by tourism can be obtained by studying foreign exchange earnings from tourism as a percentage of the following:

-) Total value of merchandise exports
-) Total value of exports of goods and non-factor services
-) Total foreign exchange earnings
-) GDP

The foreign exchange earnings from tourism as a percentage of total value of merchandise exports was 74 percent in 1982/83, which declined to 14.9 percent in 2005/06 (Appendix 4.13). Similarly, the foreign exchange earnings from tourism as percentage of total value of exports of goods and non-factor services increased from 23.1 percent in 1982/83 to 28.5 percent in 1989/90 and then declined to 10.4 percent in 2005/06. Likewise, the foreign exchange earnings from tourism as percentage of total foreign exchange earnings was 37.3 percent in 1982/83 which went on declining slowly and steadily to arrive finally at 8 percent in 2005/06. The foreign exchange earnings from tourism, as a percentage of GDP was 3 percent in 1981/82, which increased to 4.1 percent in 1993/94 and 1994/95 and then declined to 2 percent in 2004/05. Thus the performance of foreign exchange earnings in any case has deteriorated over a period of time. The foreign exchange earnings from tourism, as percentage of GDP is still very low. This situation is not encouraging when the country is trying to depend more on tourism over other sectors of economy such as agriculture and manufacturing.

Despite of the poor performance in terms of overall number of tourists, average length of stay, and foreign exchange earnings in the recent past, it should be admitted that the demand for Nepalese tourism should increase in the absence of disturbances in the country. However, it is

not known if the supply side has also decreased over time and if it is insufficient to meet the tourists' demand. The study of the performance of the supply side is, thus, equally important in tourism.

4.3 Supply Side of Nepalese Tourism

This section describes the major supply components that any tourist area must possess. As pointed out earlier, any tourist area is required to be equipped with major supply components. These supply components include tourism resources, infrastructures, receptive facilities, entertainment and sport facilities, and tourism reception services.

This study attempts to analyze the trend in some of these major supply components, mainly, accommodation, manpower trained, and airliners engaged in transportation of international tourists. Besides, the study also analyzes tourism development expenditure of Government of Nepal.

The adequate supply system described as infrastructure is of paramount importance to successful tourism. The supply system should be planned with a long-term viewpoint so that they can accommodate future expansion. Hotel or lodging structures are among the most important parts of the super-structure.

Infrastructure and superstructure is key to tourism promotion. Adequate infrastructure is essential for destination areas and is mainly in the form of transportation (road, railway, airport, car-parks), utilities (electricity, water, communications) and other services (health care and security). Residents and visitors alike normally share it. There are examples where lack of adequate infrastructure prevents growth of tourism (Cooper et al 1998, 108). Infrastructure does not normally generate income and is treated as public investment in most tourist developments.

Whereas infrastructure tends to be provided by the public sector, superstructure is normally a private-sector activity, as it is the profit-generating element of the destination. It includes accommodation, built attractions and retailing and other services. In many countries the public sector is active in providing financial incentives (grants, loans, tax holidays) for private sector tourism investment (Cooper *et al.* 1998, 108). Although the norm is for the public sector to provide infrastructure as a prerequisite for private sector development of the superstructure, in many cases combinations of public and private sector finance are used to develop destinations.

4.3.1 Accommodation

(a) Number of hotels

The accommodation sector provides a fundamental service to tourists and contributes to the overall image of a destination. Tourist accommodation is an integral part of the total tourism product, and the lack of suitable and sufficient accommodation may well be deterrent to tourists, especially holidaymakers, wishing to visit a destination

(Goodall 1989). Amongst the major hotel companies, the processes of competition encouraged not only consolidation and investment in new or improved facilities, but also the adoption of new management practices focusing on brand identity, market segmentation and the development of new product ranges (Terrant 1989; Shaw and Williams 1996).

Being a tourist, by definition, implies the need for accommodation. For successful tourism, accommodations must be available in sufficient quantity to match the demand of the travelers who arrive at the destination. Given access accommodations should precede any other type of development; their importance cannot be overemphasized. Hotels vary tremendously in their physical facilities, level of maintenance and cleanliness, and services provided. Unless all of these factors are at satisfactory levels, tourism cannot succeed (Goeldner et al 2000, 371). The demand for accommodations varies according to the price guests are willing to pay, services required, and similar considerations.

In Nepal, there has been a growth and development of hotel industry over a period of time (Table 4.6). The number of star hotels increased from 39 to 110 in 2005 over 1982, the increase being 2.8 times. Thus with the increase in the tourist inflow, the number of star hotels has also increased. However, the average annual growth rate in star hotels has not been uniform across different periods of time. The computation of average annual growth rate in star hotels for different periods revealed the following:

1982-85	1.7 percent
1986-90	7.2 percent
1991-95	4.9 percent

1996-00 5.6 percent

2001-05 3.2 percent

The average annual growth rates in star hotels fluctuated far and wide for different periods. The growth rate increased from 1.7 percent in 1982-85 to 7.2 percent in 1986-90. While it declined to 4.9 percent in 1991-95, it again increased to 5.6 percent in 1996-00. However, the average annual growth rates in star hotels remained at 3.2 percent in 2001-2005. Despite of wide fluctuations, it may be considered that average annual growth rate in star hotels has declined in recent years.

Table 4.6: Number of hotels/hotel beds and calculation of occupancy rates

Year	Star Hotels		Non-Star Hotels		Totals		Tourists accommoda tion capacity	Capacity utilization, used beds per year			
	Num ber	Beds	Numb er	Beds	Numb er	Beds	Available tourist beds per year	No. of tourists	Length of stay	Tourist beds utilized per year	Occup ancy rates, %
1982	39	4,300	36	2,482	75	6,782	2,475,430	175,448	11.8	2,077,304	83.9
1983	39	4,300	36	2,519	75	6,819	2,488,935	179,405	13.3	2,391,469	96.1
1984	39	4,300	37	2,605	76	6,905	2,520,325	176,634	11.5	2,036,590	80.8
1985	41	4,188	39	2,722	80	6,910	2,522,150	180,989	10.6	1,909,434	75.7
1986	41	4,087	69	2,999	110	7,086	2,586,390	223,331	11.3	2,523,640	97.6
1987	43	4,381	61	2,671	104	7,052	2,573,980	248,080	11.2	2,768,573	107.6
1988	43	4,412	77	3,599	120	8,011	2,924,015	265,943	12.0	3,185,997	109.0
1989	54	4,880	105	4,528	159	9,408	3,433,920	239,945	12.0	2,879,340	83.8
1990	57	5,502	111	4,742	168	10,244	3,739,060	254,885	12.0	3,058,620	81.8
1991	61	5,809	131	5,398	192	11,207	4,090,555	292,995	9.3	2,710,204	66.3
1992	64	5,969	139	5,803	203	11,772	4,296,780	334,353	10.1	3,390,339	78.9
1993	64	5,969	150	6,578	214	12,547	4,579,655	293,567	11.9	3,505,190	76.5
1994	72	6,502	322	11,228	394	17,730	6,471,450	326,531	10.0	3,265,310	50.5
1995	72	6,502	448	15,305	520	21,807	7,959,555	363,395	11.3	4,095,462	51.5
1996	79	7,050	553	18,588	632	25,638	9,357,870	393,613	13.5	5,313,776	56.8
1997	86	7,779	620	19,833	706	27,612	10,078,380	421,857	10.5	4,425,280	43.9
1998	89	7,842	650	21,036	739	28,878	10,540,470	463,684	10.8	4,989,240	47.3
1999	87	8,656	698	23,558	785	32,214	11,758,110	491,504	12.3	6,035,669	51.3
2000	94	9,320	754	25,638	848	34,958	12,759,670	463,646	11.9	5,508,114	43.2
2001	97	9,430	791	26,733	888	36,163	13,199,495	361,237	11.9	4,309,557	32.6
2002	104	10,289	839	27,327	943	37,616	13,729,840	275,468	7.9	2,181,707	15.9

2003	108	10,535	858	27,735	966	38,270	13,968,550	338,132	9.6	3,246,067	23.2
2004	110	10,715	886	28,392	998	39,107	14,274,055	385,297	13.5	5,205,362	36.5
2005	110	10,715	896	28,669	1,006	39,384	14,375,160	375,398	9.1	3,416,122	23.8

Source: MOF, *The Economic Survey*, Kathmandu (Related issues), and MOCTCA, *Nepal Tourism Statistics*, Kathmandu (Related issues).

As regards the performance of non-star hotels, it is observed that non-star hotels increased from 36 in 1982 to 896 in 2005, the increase being 25 times. Thus non-star hotels increased significantly as compared to star hotels over a period of time. However, the average annual growth rates in non-star hotels have also not been uniform and fluctuated widely across different periods of time. The computation of growth rates revealed the following:

1982-85	3 percent
1986-90	27 percent
1991-95	37 percent
1996-00	11 percent
2001-05	4 percent

The average annual growth rate in non-star hotels increased from 3 percent in 1982-85, to 27 percent in 1986-90, and to 37 percent in 1991-95 but then it declined to 12 percent in 1996-00, and 4 percent in 2001-05. Thus there has been a significant decline in the average annual growth rate in non-star hotels in recent years. In other words, non-star hotels have started performing so badly. However these growth rates for non-star hotels are quite higher than those for star hotels. It all indicates that non-star hotels are growing at a higher rate than star hotels. In

recent years, the number of star hotels has exceeded the number of non-star hotels which used to be just opposite in 1982-85.

Taking the star and non-star hotels together, total number of hotels increased from 75 in 1982 to 1006 in 2005, the increase being 13.4 times. And the average annual growth rates in total number of hotels for different periods may be seen as 3 percent during 1982-85, 27 percent during 1986-90, 37 percent during 1991-95, 11 percent during 1996-00, and 4 percent during 2001-05. Thus the recent years have shown a significant decline in average annual growth in total number of hotels.

The study of number of hotels may be misleading unless one studies size of hotels in terms of number of hotel beds. The number of hotels may increase but number of hotel beds may decrease or vice versa. The study of hotel beds in Nepal shows that with the increase in the number of star and non-star hotels, there has been an increase in the number of star and non-star hotel beds. In 1982, there were 4,300 star hotel beds, which increased to 10,715 in 2005, the increase being about 2.5 times. Similarly, there were 2,482 non-star hotel beds in 1982, which increased to 28,669 in 2005, the increase being 11.5 times. Thus the increase in non-star hotel beds is higher than that of star hotel beds.

However the average annual growth rates in star hotel beds have not been uniform across different periods of time. The computation of these growth rates produced the following results:

1982-85	1 percent
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1986-90	6 percent
1991-95	3 percent
1996-00	10 percent
2001-05	9 percent

The average annual growth rate in star hotel beds has increased from 1 percent in 1982-85 to 6 percent in 1986-90. While it declined to 3 percent in 1991-95, it increased to 10 percent in 1996-00, and 9 percent in 2001-05. Thus, despite of wide fluctuation in average annual growth rates, average annual growth rate in star hotel beds has increased in recent years at around 9 percent per year indicating an improved performance.

Similarly, the average annual growth rates in non-star hotel beds have not been uniform and fluctuated widely across different periods of time. The computation of these growth rates revealed the following:

1982-85	3 percent
1986-90	13 percent
1991-95	28 percent
1996-00	11 percent
2001-05	2 percent

The average annual growth rate in non-star hotel beds went on increasing from 3 percent in 1982-85 to 13 percent in 1986-90 and to 28 percent in 1991-95, but then, it declined to 11 percent in 1996-00, and 2 percent in 2001-05. Thus failure to maintain average annual growth rate in non-star hotel beds in recent years is quite clear and evident.

The comparison of star and non-star hotels also reveals the following:

-) There were more of the star hotel beds in 1982-85 but the situation has changed thereafter leading to more of the non-star hotel beds in the country.
-) The average annual growth rates in non-star hotel beds have turned out to be higher than those of star hotel beds for all the study periods except for 2001-04.

When star and non-star hotel beds are taken together, total number of hotel beds increased from 6,782 in 1982 to 39,384 in 2005, the increase being 5.8 times. The average annual growth rates in total number of hotel beds have been observed to be 1 percent in 1982-85, 8 percent in 1986-90, 17 percent in 1991-95, 10 percent in 1996-00, and 2 percent in 2001-05. Again, failure to maintain average annual growth rate in total hotel beds in recent years is quite evident.

(b) Proportion of star and non-star hotels and hotel beds:

Though there has been an increase in the total number of hotels, the proportion of star-hotels has declined over time. In 1982, the star hotels comprised of 52 percent of total hotels but the same has been turned out to be only 11 percent in 1999-2005. Similarly, 63 percent of total hotel beds were star hotel beds in 1982 but the same has been revealed to be around 27 percent through out the period, 1996-2005. Thus, there has been a significant shift in the proportion of star and non-star hotels and hotel beds over a period of time. The proportion of star hotels has been declining while the proportion of non-star hotels has been increasing slowly and steadily over time. The details may be seen from Appendix 4.14.

(c) Size of hotels:

The size of both star and non-star hotels has declined over a period of time (Appendix 4.15). The average number of beds per star hotel has declined from 110 in 1982 to 88 in 1999, and then it increased to 97 in 2005. Likewise, the average number of beds per non-star hotel has declined from 69 in 1982 to 34 in 1999, and to 32 in 2005. The decline is more rapid for non-star hotels as compared to star hotels. Thus there has been a growth in small sized hotels over a period of time.

(d) Occupancy rates or capacity utilization:

Hotel occupancy rates are one of the important concerns for the hotels. In an industry characterized by fragmentation, where small, independently owned and managed hotels still predominate, and where reliable financial performance measures are rarely maintained or released (Morrison, 1998), they remain the one widely available consistent and disaggregated means of monitoring hotel performance. They provide a sensitive barometer of the fluctuating fortunes of individual hotels.

The link between occupancy performance and financial performance is not a simple one. Previous studies have identified a clear positive relationship between profits and occupancy (Norkett 1985; Evans *et al.* 1989; Russo 1991). However, although sales are closely related to profitability, occupancy rates are not a precise indicator of profit levels (Meidan 1984). High occupancy levels may be achieved at the expense of heavy price discounting (Moutinho and

Peel 1994). In the face of low occupancy levels, the high fixed costs involved in hotel operations frequently prompt substantial short-run price cuts to gain at least some revenue from potentially unsold and totally 'perishable' capacity (Middleton 1994). In a recession, such short-term tactical price-cutting can escalate into heavy and persistent discounting and the loss of profitability. However, in a place where data on price, profit and sales are not available, occupancy rates remain the one reliable monitoring measure that can be applied consistently to the full range of hotels. Hotel occupancy rates have also been used to identify aggregate trends and fluctuations displayed by different types of hotels (Jeffrey 1983). The potential offered by occupancy analysis to guide hotel marketing has not yet been fully exploited (Jeffrey and Barden 2000, 384). Hence this section of the study attempts to compute and analyze the occupancy rates of Nepalese hotels.

(e) Room or bed occupancy?

One of the important questions on occupancy analysis is whether to analyze room or bed occupancy. In hotel occupancy performance, room and bed occupancy rates offer different advantages (Jeffrey and Barden 2000, 385). Bed occupancy rates are particularly useful for indicating how the accommodation matches the market served, because room occupancy will tend to disguise the type of customer booking the room (whether, for instance, it is a single let to a businessman or multiple-let to a family). Room occupancy offers greater credence from a managerial point of view, because it is the selling of room spaces, rather than bed spaces. Once a room is occupied (even by one person), then that unit is no longer available for sale. It is for this reason that the present section focuses on room occupancy.

It may now be interesting to see the average occupancy rate or capacity utilization of hotels over a period of time. The rate has been computed as under:

) Tourist accommodation capacity per annum (or available tourist beds in any particular year) = Hotel beds x 365 days.

) Tourist beds utilized per year = Number of tourists x length of stay.

Tourist beds utilized per year

) Occupancy rate or capacity utilization (%) = ----- * 100

Tourist accommodation capacity

OR

Number of tourists x length of stay

Hotel beds x 365 days in a year

Clearly, allowance has not been made for the percentage of tourists who stay in non-commercial accommodation such as with friends and relatives.

The occupancy rate or capacity utilization of hotels has been noticed to be declining over a period of time (Table 4.6). It has declined from 83.9 percent in 1982 to 81.8 percent in 1990, 51.5 percent 1995, 43.2 percent in 2000 and 23.8 percent in 2005. The available data shows that hotels used to operate with full occupancy at one time, particularly in 1987 and 1988. Thereafter the declining trend in occupancy rates started and the situation gradually changed. In recent years, the hotel accommodation sector is experiencing lowest occupancy rates. The failure to check decline in occupancy rates is quite evident.

The average annual occupancy rates have also not been uniform across different periods of time.

The computation of these rates revealed the following:

1982-85	84 percent
1986-90	96 percent
1991-95	65 percent
1996-00	49 percent
2001-05	26 percent

The average annual occupancy rates once increased from 84 percent in 1982-85 to 96 percent in 1986-90 but thereafter it started declining to 65 percent in 1991-95, to 49 percent in 1996-00, and to 26 percent in 2001-05. On an average, occupancy rate of hotels has been declining at the rate of 2.1 percent per year. Thus, failure to maintain or improve occupancy rates of hotels in recent years is quite evident.

The decline in occupancy rate can be seen clearly if one computes tourists per hotel and tourists per hotel bed as indicated in Table 4.7. The table indicates that the tourists per hotel gradually declined from 2,339 in 1982 to 1,517 in 1990, 699 in 1995, 547 in 2000, and 373 in 2005. Similarly, the tourists per hotel bed declined from 26 in 1982 to 25 in 1990, 17 in 1995, 13 in 2000 and 10 in 2005. Thus deterioration in occupancy rates over a period of time is quite evident.

Table 4.7: Tourists per hotel and per bed, 1982-2005

Year	Tourists per hotel	Tourists per bed
1982	2,339	26
1983	2,392	26
1984	2,324	26
1985	2,262	26
1986	2,030	32
1987	2,385	35

1988	2,216	33
1989	1,509	26
1990	1,517	25
1991	1,526	26
1992	1,647	28
1993	1,372	23
1994	829	18
1995	699	17
1996	623	15
1997	598	15
1998	627	16
1999	626	15
2000	547	13
2001	407	10
2002	292	7
2003	350	9
2004	387	10
2005	373	10

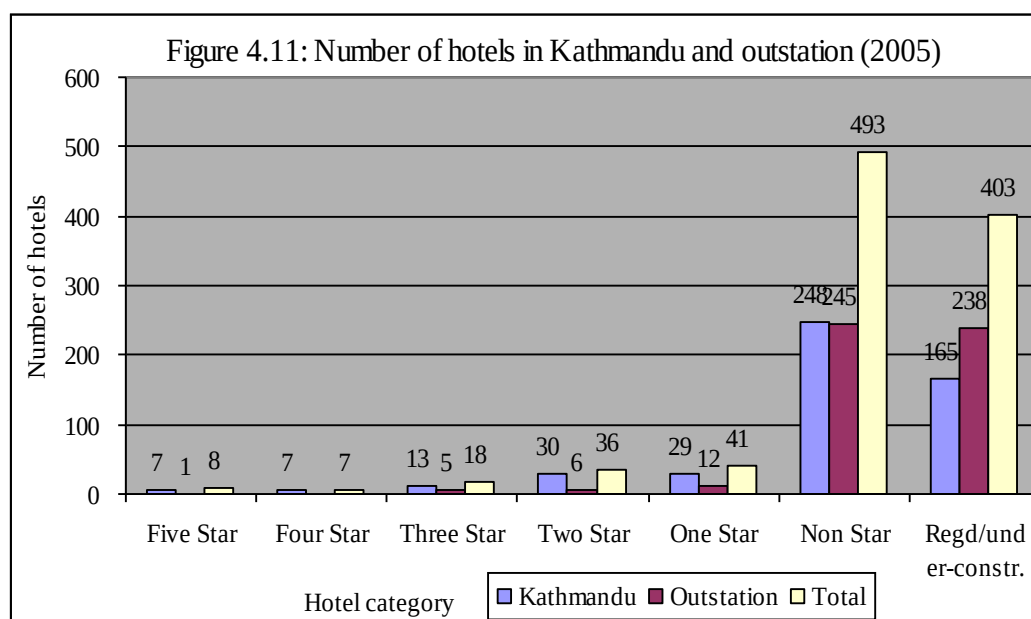
Source: MOF, *The Economic Survey*, Kathmandu, (Related issues)

The above discussion reveals that supply side of hotels has increased significantly in 1999 over 1982 thus enabling to meet the increased tourists' demand. The number of hotels and hotel beds has increased more than the number of tourists over a period of time. However, the situation worsened after 1999 due to insurgency problems in the country.

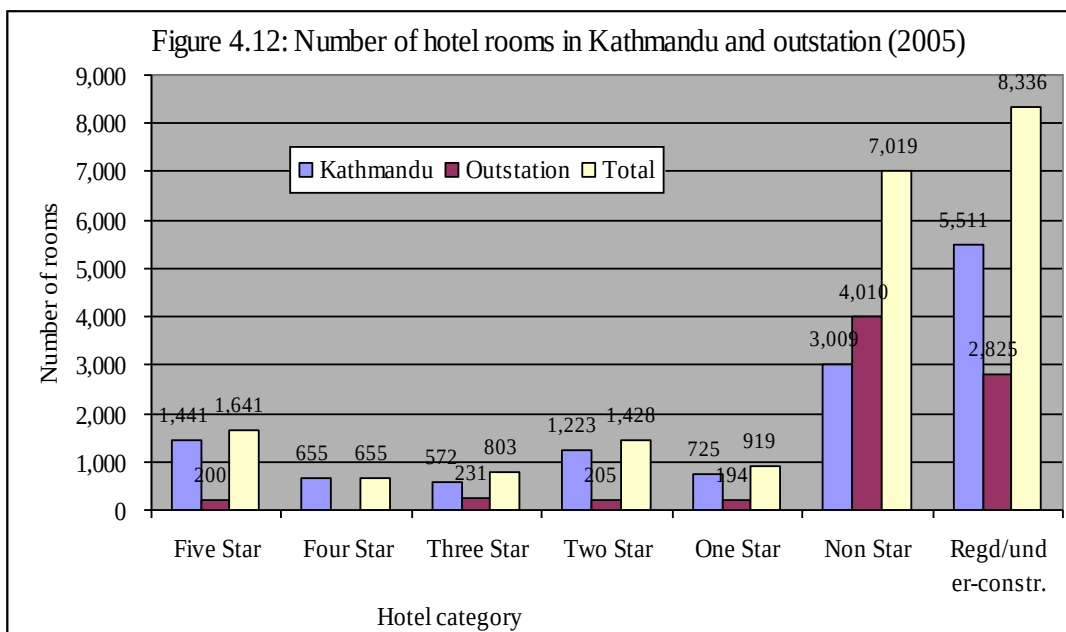
(f) Location of hotels in Kathmandu and outstations:

It is important to note that most of the star hotels are located in Kathmandu (Figure 4.11). Out of total eight five-star hotels, seven are located in Kathmandu and only one five-star hotel is located outside Kathmandu. Similarly, there are altogether seven four-star hotels in the country and all of them are located in Kathmandu only. Of the total 18 three-star hotels in the country, only five are located outside Kathmandu (27.8 percent). Similarly, out of 36 two-star hotels, only 6 (17 percent) are located out of

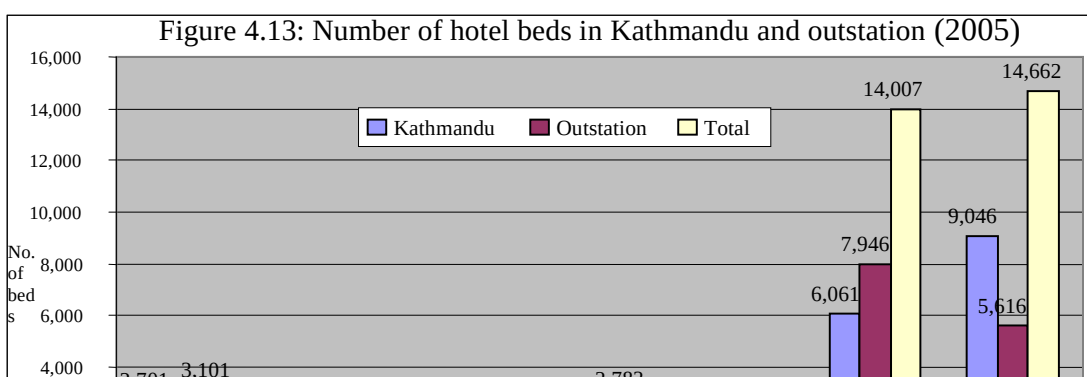
Kathmandu. The concentration of star hotels mostly in Kathmandu shows lack of policy initiative to attract tourists and establishment of star hotels outside Kathmandu.



Since most of the star-hotels are located in Kathmandu, star-hotel rooms are quite few outside Kathmandu (Figure 4.12). In 2005, there were only 200 five-star rooms (13 percent) outside Kathmandu out of total of 1,641. There are no four-star hotel rooms outside Kathmandu. Similarly, the number of other star-hotel rooms located outside Kathmandu is 231 three star rooms (28.8 percent), 205 two-star rooms (14.4 percent), and 194 one-star rooms (21.1 percent) in 2005. It all shows imbalance in hotels and hotel rooms in and outside Kathmandu.



The study of hotel beds in 2005 indicates that out of 3,101 five-star hotel beds in the country, only 400 (13 percent) of them are located outside Kathmandu (Figure 4.13). There are no four-star hotel beds outside Kathmandu. Likewise, there are 1,609 three-star hotel beds in the country, of which only 460 (28.6 percent) are located outside Kathmandu. Out of total 2,783 two-star hotel beds, 392 (14.1 percent) are located outside Kathmandu. Similarly, 426 (22.2 percent) out of 1,921 one-star hotel beds are located out of Kathmandu. Thus outside Kathmandu is dominated by the non-star hotel beds. Hence, a policy is required to promote hotel industry outside Kathmandu, particularly the standard star hotels. It would help promoting tourism, which is at present concentrated in Kathmandu and Pokhara valleys.



4.3.2 Human Resource Development

As tourism is basically a people industry, human resources are very important (Baum 1993). The poor quality and inadequate education and training related to the tourism and hospitality industries is an aspect that has been known for almost two decades (Cooper *et al.* 1998, 203). There is an unquestionable need for education and training in the tourism and hospitality industries and the reliance upon untrained labor with on-the job training is responsible for many poor-quality tourism products. Hence, manpower development is an essential part of tourism. In the absence of proper manpower, tourism cannot flourish. In Nepal, Nepal Academy of Tourism and Hotel Management (NATHM) formerly known as Hotel Management and Tourism Training Center (HMTTC) has been providing training to meet human resource needs of tourism sector. So far, the total manpower trained from 1961/62 to 2005/06 has been noticed to be 21,597 persons. Though there is a long history of training provided by NATHM, the

supply of trained manpower has increased in the recent past only. The number of tourism manpower trained by it may be seen as 2,214 persons during 1961/62 to 1984/85, 2,723 persons during 1985/86 to 1989/90, 3,660 persons during 1990/91 to 1994/95, 6,572 persons during 1995/96 to 1999/00, and 5,808 persons during 2000/01 to 2005/06 (Appendix 4.16). In other words, of the total trained manpower supplied by NATHM, only 11 percent were supplied during 1961/62 to 1984/85, 13 percent during 1985/86 to 1989/90, 17 percent during 1990/91 to 1994/95, 31 percent during 1995/96 to 1999/00 and 28 percent during 2000/01 to 2005/06. Thus the supply of trained tourism manpower has increased slowly and steadily over a period of time.

NATHM provides training in different subject areas, such as, food preparation, food and beverage services, house keeping, front office, bakery, Indian sweets, hotel maintenance, hotel accounts, tourist guide, travel agency and ticketing, cook and waiter for trekkers, trekking guide, rafting guide, public relation, hospitality courses, international freight forwarding and so on. Of the total manpower trained by NATHM from 1961/62 to 2005/06, the majority of training has been provided on mobile team training (25.4 percent) followed by trekking guide (22.1 percent), tourist guide (9.8 percent), food and beverages services (6.8 percent), front office (5.8 percent), house keeping (5.6 percent), food preparation (5.4 percent), travel agency and ticketing (3.4 percent), cook and waiters for trekkers (2.2 percent), and so on (Appendix 4.16).

The total number of manpower trained by NATHM has not been uniform across all the years from 1984/85 to 2005/06 (Table 4.8). It fluctuated far and wide from a low of 107 persons in 1984/85 to a high of 1605 persons in 1997/98.

If one relates number of trained persons with number of tourists by computing the number of tourists per trained person, it may be seen that availability of trained manpower to serve more tourists has increased over time. Consequently, the number of tourists per trained person has declined over a period of time (Table 4.8). It has declined from 1,651 tourists per trained person in 1984/85 to 229 in 2003/04, and to 278 tourists per trained person in 2004/05. In fact, the number of tourists per trained person had once declined to 263 in 1996/97 and 1997/98. However, the computation of the number of tourists per trained person is based on the number of manpower trained by NATHM only thus excluding persons trained by other institutions in and outside the country. The total number of trained tourism manpower should obviously be higher than these numbers. This is due to the fact that data on manpower trained by other institutions in and outside the country is not available.

The interview with some of the hotels revealed that the trained tourism manpower is still not sufficient in Nepal. There is a need for the supply of more qualitative manpower in the tourism sector as a whole. The lack of quality tourism manpower is evident from the fact that there is a number of foreigners working in different fields of tourism in Nepal.

Table 4.8: Number of tourists per trained manpower 1984/85 – 2005/06

Year	Number of manpower trained by NATHM	No. of tourists per trained manpower
1984/85	107	1,651
1985/86	183	989
1986/87	300	744
1987/88	797	311
1988/89	1,018	261
1989/90	425	565
1990/91	684	373
1991/92	569	515

1992/93	1,024	327
1993/94	667	440
1994/95	716	456
1995/96	1,204	302
1996/97	1,495	263
1997/98	1,605	263
1998/99	1,071	433
1999/00	1,197	411
2000/01	1,127	411
2001/02	1,033	350
2002/03	787	350
2003/04	1,475	229
2004/05	1,386	278
2005/06*	620	605

* First eight months.

Source: MOF, *The Economic Survey*, Kathmandu (Related issues).

Moreover, many Nepalese prefer to go for tourism training in foreign countries rather than getting trained in Nepal. This kind of situation may be attributed to the lack of quality training available in the country.

In view of all these, NATHM and other tourism training institutions have to play a greater role. In recent years, the number of tourism education and training institutions has come up well both in the private and public sectors. However, it is yet to be seen to what extent they can meet the growing manpower needs of the tourism sector. Moreover, proper training needs assessment has always been lacking in the country leading to haphazard production of manpower.

4.3.3 Transportation facility

(a) Air transportation

Having discussed hotel accommodation facilities and tourism manpower supply, it is now felt necessary to study tourists supplied by different airlines. The transportation services play an

important role in tourism. Transportation system in Nepal includes air and land transport modes. This section of the study first attempts to deal with the role of air transportation in tourism destination development in Nepal.

The adequacy of air transportation has always been questioned in Nepal since air transportation plays a key role in supplying tourists to a land locked country, like Nepal. It is said that planners looking to improve tourism must evaluate the adequacy of air transportation (Goeldner et al 2000, 376). Flight frequencies as well as size and type of aircraft are important. Air service from important origins for tourists is very essential. In Nepal, there is only one international airport at present known as Tribhuvan International Airport. Nepal Airlines Corporation (NAC), a national flag carrier operates international and national flights. Besides NAC, Nepal currently depends on more than a dozen of other international airlines for bringing in tourists. These international airlines operating flights in Nepal are Indian Airlines, Biman Bangladesh, Thai Airways, Pakistan Airlines, Druk Airlines, China Southwest, Aeroflot, Qatar Airways, Gulf Air, Transavia Airlines, Jet Airways, Air China, and Austrian Air. Nepal has recently allowed private airlines to operate international flights and some of them have already started its flights to different parts of India.

Over a period of time, the supply of tourists has increased for all the airliners. The tourists supplied by Indian Airlines were 74,274 in 1982, which increased to 133,840 in 1999, and then declined to 36,982 in 2005 (Appendix 4.17). Similarly, the tourists supplied by NAC increased from 59,001 in 1982 to 123,458 in 1999, and then declined to 42,069 in 2005. Thai airways supply of tourists increased from 13,472 tourists in 1982 to 59,120 tourists in 1999, and then declined to 44,956 in 2005. Likewise, the number of tourists supplied by Biman Bangladesh

increased from 4,865 in 1982 to 15,043 in 1999, and then declined to 4,715 in 2005. Similarly, the number of tourist arrivals for other airlines in 2005 are 30,526 for Qatar Airways, 19,015 for Gulf Air, 20,077 for Jet Airways, 4,865 for Austrian Airlines, 7,282 for Druk Air, 1,855 for Pakistan Airlines, 6,295 for Air China, and so on. The performance of almost all the airliners has improved till 1999 in terms of number of tourists supplied by them. However, the performance of almost all the airlines declined after 1999 due to insurgency problems in the country.

Thus, though there are different international airlines engaged in international flights, the major ones are quite few. In 2005, Thai Airways appeared to be a major airline bringing about 16.2 percent of tourists in Nepal, followed by NAC (15.2 percent), Indian Airlines (13.3 percent), Qatar Airways (11.0 percent) and Jet Airways (7.2 percent). NAC ranks second among the major airliners supplying more tourists to Nepal. The other important airlines that supplied around 5 percent of tourists or less in 2005, for example, Gulf Air (5.7 percent), Druk Air (2.6 percent), Biman Bangladesh (1.7 percent), Austrian Airlines (1.8 percent), Pakistan Airlines (0.7 percent), and so on (Appendix 4.18). In 2004, Indian Airlines appeared to be a major airline bringing about 26 percent of tourists in Nepal, followed by Thai Airways (19.2 percent), NAC (19 percent), and Qatar Airways (10.8 percent). NAC ranks third among the major airliners supplying more tourists to Nepal. The other important airlines supplied 5 percent of tourists or less in 2004, for example, Gulf Air (5.6 percent), Jet Airways (5 percent), Biman Bangladesh (3.1 percent), Austrian Airlines (2.2 percent), China Southwest (1.9 percent), Air China (1.9 percent), Druk Airways (1.4 percent), Pakistan Airlines (0.6 percent), and so on. Thus there is no consistency in tourists supplied by different airlines and the major airlines that dominate Nepal's tourism scenario are Thai, NAC and Indian Airlines. There is also no

consistency in services provided by other international airlines. These airlines keep on continuing and discontinuing their services from time to time thus hampering Nepalese tourism.

It is however not known whether the performance of different airliners is satisfactory in terms of average annual growth rates in tourists supplied by them. The average annual growth rates in tourists supplied by various airliners calculated for different periods are presented in Table 4.9.

Table 4.9: Average annual growth rates in tourists supplied by major airlines

Airlines	1982-85	1986-90	1991-95	1996-00	2001-05
Indian Airlines	(1.8)	1.2	8.0	(2.6)	(1.0)
NAC	1.4	12.0	9.1	1.9	(20.7)
Biman, Bangladesh Airlines	5.0	9.9	10.0	2.9	(16.7)
Thai Airways	14.2	7.8	6.3	13.6	(3.4)
Pakistan Airlines	-	18.9	1.3	9.8	(26.0)
Qatar Airways	-	-	-	86.6	16.0
Gulf Airways	-	-	-	40.9	18.0
Druk Airways	0	20.2	66.9	10.0	8.0
China Southwest	-	(5.8)	38.0	6.6	2.0

Source: Appendix 4.17

The average annual growth rate in tourists supplied by major airliners varied widely from one period to another. The failure to maintain consistent growth rate is quite evident. During 2001-05, the average annual growth rate in tourist arrivals has been observed to be 18 percent for Gulf Airways, followed by 16 percent for Qatar Airways, 8 percent for Druk Airways, and 2 percent for China Southwest. The average annual growth rates have been observed to be negative for other airlines, namely, Indian Airlines, NAC, Biman, Thai Airways, and Pakistan Airlines. Similarly, during the period 1996-00, the average annual growth rate in tourist arrivals has been revealed to be 86.6 percent for Qatar Airways, followed by 40.9 percent for Gulf Airways, 13.6 percent for Thai Airways, 10 percent for Druk Air and so on. Thus average annual

growth rate in tourist arrivals fluctuate far and wide in Nepal. Clearly, the performance of NAC, national supplier of tourists, is quite poor as compared to other airlines.

It is claimed quite often that air transport services are not enough to meet tourists' demand. The country's only national airline, NAC could not expand its air services as required over a period of time. NAC's performance has not grown satisfactorily over time. It still depends on rented aircrafts to operate international flights. Due to this, Nepal is still dependent upon foreign airlines for supplying more and more tourists to Nepal. Tourists also claim frequently that services offered by NAC are poor as compared to other airlines.

(b) Land transport

The significant numbers of tourists visit Nepal by land. The number of tourists visited Nepal by land increased from 21,939 in 1982 to 87,962 in 2004, the increase being 4 times. These statistics do not include Indian tourists as there are no passport and visa requirements for Indians while travelling to Nepal. Though official statistics are not available, Indian tourists are assumed to be significant in number.

Having assessed the role of major airlines in the supply of tourists, and tourists traveled by land, it is felt necessary to study the role of tourism development expenditure, which will, indicate government's commitment in strengthening the supply side of tourism.

(e) Tourism development expenditure

The Government of Nepal allocates expenditure budget on annual basis to each ministry under two headings, regular and development. The government's role in improving supply side of Nepalese tourism may be assessed by examining tourism development expenditures, that is, how much the government spent on different tourism development activities in any particular year. The expenditure budget also contains actual expenditure for the previous year. Tourism development expenditure is actually an investment and may be regarded as government's commitment to develop supply side of tourism. Government investment has to come forward in such areas of tourism where the private sector investment is not forthcoming. Appendix 4.19 presents tourism development expenditure, total development expenditure and tourism development expenditure as percentage of total development expenditure from 1981/82 to 2003/04.

The total development expenditure increased almost continuously over the period from 1981/82 to 2003/04 while tourism development expenditure fluctuated widely from one year to another. The total development expenditure increased from Rs.3,727 million in 1981/82 to Rs.41,485 million in 2003/04 while tourism development expenditure increased from Rs.4.8 million in 1981/82 to Rs.249.855 million in 2003/04. The total development expenditure increased by 7.7 times while the same for tourism development expenditure increased by 52.1 times in 2003/04 over 1981/82. Thus, the growth in tourism development expenditure is more than the growth in total development expenditure over a period of time. However, there has been a decline in

tourism development expenditure from time to time, such as, in 1997/98, 2001/02, and 2002/03.

Another interesting area may be to indicate what proportion of total development expenditure is being spent on tourism development. The proportion of tourism development expenditure was 0.13 percent of total development expenditure in 1981/82, which increased to 0.77 percent in 1996/97 and to 0.60 percent in 2003/04. The decline in proportion of tourism development expenditure in the recent past shows government's lack of commitment towards tourism promotion in the country. With the increase in tourism development expenditure, one can reasonably expect improvement in the supply side of Nepalese tourism.

4.4 Discussion on demand for and supply of tourism

It was stated that 6,179 tourists visited Nepal in 1962, which increased gradually over a period of time 463,646 in 2000 and to 375,398 in 2005. The decline in tourist inflows in recent years is mainly due to insurgency problem in the country. The number of tourists who visited Nepal increased by 2.8 times in 1999 and 2.2 times in 2005 over 1982, which is very slow as compared to other emerging markets. The annual variations in demand for Nepalese tourism also fluctuated far and wide. The average annual growth rates in tourist arrivals has been 1.1 percent during 1982-85, 7.6 percent in 1986-90, 7.9 percent in 1991-95, 5.2 percent in 1996-00, and minus 2.28 percent in 2000-05.

The tourists' demand for modes of transportation shows that the majority of tourists visited

Nepal by air. Over a period of time, tourists travelling by air declined slowly and tourists travelling by land increased. Within a decade, the tourists travelling by air declined from 89 percent in 1995 to 74 percent in 2005. Among these tourists, the males' demand for Nepalese tourism is more than that of females. Of the total tourists, male tourists comprised of 69 percent, while the female tourists comprised of only 31 percent in 2005. The male tourists dominated in all the years from 1982 to 2005.

Age factor is particularly important in designing tourism promotion strategies. More recently, the tourists who are in the age group of 31-45 years demand the Nepalese tourism more, followed by '46-60 years', '16-30 years', 'above 60 years' and 'below 15 years' age groups.

There is a wide variation in the number of tourists who visited Nepal and the variability has increased over a period of time. The increase in the variability indicates that tourism industry has gone more risky.

Though the demand for Nepalese tourism is subject to seasonal variations, there is a demand for tourism through out the year. The peak demand of the year is around November while lean demand is around May and June. Tourists visit Nepal from various continents and different nationalities of the world. More recently, the majority of the tourists came from Asia, followed by Western Europe, and North America. Though Asia has been largest continent demanding Nepalese tourism, about one-fourth of total demand comes from India alone. Nepalese tourism is demanded mainly for holiday pleasure or for trekking and mountaineering. Though there are many trekking routes in Nepal, the most popular trekking route has been Annapurna, Manang and Jomsom trek, followed by the Everest trek, and Helambu-Langtang Valley trek. The

average annual growth rates in the number of trekking permits issued not only varied from one trekking route to another but also from one period to another.

In Nepal, the average length of stay by tourists has not improved over a period of time. The average length of stay, which was once 13.5 days in 1996, declined to 9.1 days in 2005. The tourism development efforts in Nepal have not been able to increase the average length of stay by tourists in Nepal.

Nepalese tourism has benefited the host country by way of foreign exchange earnings. The gross foreign exchange earning from tourism increased from US\$33 million in 1982 to \$117 million in 1995 and \$148 million in 2005. The foreign exchange earnings from tourism, however, fluctuated far and wide. The average income per visitor per day also remained uncertain as it was \$79.8 in 2003, and 39.4 in 2005.

The supply side of tourism comprises the businesses and agencies that provide services to tourism. In Nepal, there has been a growth and development of tourist accommodation facilities over a period of time. The number of star hotels increased from 39 to 110, and non-star hotels increased from 36 to 896 in 2005 over 1982. There has also been an increase in the number of star and non-star hotel beds and hotel rooms over time. It indicates that despite of the decline in the demand for Nepalese tourism, the number of hotels, rooms, and beds have not declined over time. Due to this, there has been a distinct decline in occupancy rates of hotels in more recent years. The study also revealed that most of the hotels are located in Kathmandu Valley indicating that tourism outside Kathmandu has not been able to grow significantly.

The supply of trained manpower required for the development of tourism has increased over a period of time. Of the total trained manpower supplied by NATHM, about 25 percent were supplied during the period 2000/01 to 2004/05. Tourism training and education, which was relatively unpopular in the past, have gained more popularity in the recent years. The number of tourists per trained manpower was estimated at 361 in 2005, which shows the existence of future prospects in tourism training and education.

The adequacy of air transportation for the development of tourism has always been questioned in Nepal. It is often complained that a lack of air transportation is major hurdle for Nepalese tourism development. Though there are different national and international airlines engaged in international flights, the major ones are quite few. On the one hand, the major national airliner is lagging very much behind as compared to its contemporaries, while on the other hand, the foreign airliners are not consistent in their services. The Singapore Airliner and Lufthansa have already withdrawn their services. It may not be exaggerating to indicate that the Nepalese airline industry is operating on trial basis.

If the Nepalese tourism industry is to be developed, it requires investment too. The tourism development expenditure of the government is not even one percent of total development expenditure. This kind of poor financial priority given to tourism sector shows government's lack of commitment towards tourism promotion in the country.

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The increase in tourism development expenditure would depend upon how much revenue the government has been able to derive from tourism related taxes. Other things remaining the same, higher the revenue from tourism related taxes, higher would be tourism development expenditure. The next aspect of the study is therefore concentrated on revenue from tourism

related taxes.

(f) Revenue from tourism related taxes

Revenue from tourism related taxes plays an important role in mobilizing resources for tourism development. The government's investment in improving the supply side of tourism depends upon the resources it generates from tourism related taxes. In Nepal, hotel tax and air flight taxes are the two major tourism related taxes. It may be interesting to see what portion of tourism related tax revenues are spent by government on tourism development activities. Table 4.11 shows revenues generated from two tourism related important taxes, that is, hotel tax and air flight tax.

In the year 1997/98, government replaced 'Sales Tax' by 'Value Added Tax', which abolished hotel tax being levied to different hotels. In 1998/99, government introduced 'tourism tax' which is being levied to all those who are involved in tourism. The hotel tax was required to be paid by hotels only, while tourism tax is required to be paid by all tourism related firms and industries that include not only hotels but also restaurants, travel agencies, trekking agencies, river rafters, and so on. The hotel tax used to vary from 10 to 13 percent depending upon the standards while tourism tax presently being levied is 2 percent. And it is not yet known the how much revenue has been generated from tourism tax. However, it could be assumed that revenue generated by sales tax and hotel tax will not be less than revenue generated by VAT and tourism tax.

Table 4.11: Revenue from tourism related taxes

Year	Hotel tax revenue, Million Rs.	Airport flight tax, Million Rs.	Total tax revenue, Million Rs.	Hotel tax as % of total tax	Airport flight tax as % of total tax	Hotel tax & airport flight tax as % of total tax	Tourism devt. expd. as % of hotel tax & airport flight tax
1981/82	23.1	21.9	2211	1.0	1.0	2.0	11
1982/83	29.0	22.7	2421	1.2	0.9	2.1	11
1983/84	34.5	25.4	2737	1.3	0.9	2.2	11
1984/85	38.8	26.9	3151	1.2	0.9	2.1	9
1985/86	47.8	24.9	3659	1.3	0.7	2.0	6
1986/87	66.0	44.8	4372	1.5	1.0	2.5	12
1987/88	80.6	65.4	5753	1.4	1.1	2.5	76
1988/89	93.2	67.0	6287	1.5	1.1	2.5	11
1989/90	99.7	87.7	7283	1.4	1.2	2.6	10
1990/91	115.6	173.4	8176	1.4	2.1	3.5	4
1991/92	191.3	177.9	9876	1.9	1.8	3.7	3
1992/93	223.4	205.7	11663	1.9	1.8	3.7	14
1993/94	219.1	270.7	15372	1.4	1.8	3.2	14
1994/95	229.1	278.8	19660	1.2	1.4	2.6	29
1995/96	284.2	311.1	21668	1.3	1.4	2.7	32
1996/97	301.1	314.2	24424	1.2	1.3	2.5	33
1997/98	45.9	343.3	25940	0.2	1.3	1.5	41
1998/99	1.5	240.7	28753	0.0	0.8	0.8	64

Source: Ministry of Finance (MOF), *The Economic Survey*, Kathmandu: MOF, 1999/2000.

US \$ 1 = Rs. 72.90 as of September 1, 2000.

The revenue from hotel tax increased from Rs.23.1 million in 1981/82 to Rs.301.1 million in 1996/97, the increase being 13 times, and air flight tax increased from Rs.21.9 million in 1981/82 to Rs.240.7 million in 1998/99, the increase being times 11 times. Total tax revenue increased from Rs.2211 million in 1981/82 to Rs.28753

million in 1998/99, the increase being 13 times. Thus, the performance of hotel tax and air flight tax is in par with total tax revenue.

The hotel tax as percentage of total tax formed 1 percent in 1981/82 while the same was noticed to be 1.2 percent in 1996/97. Similarly, air flight tax formed 1 percent in 1981/82 while the same was observed to be 1.3 percent in 1998/99. The hotel tax and air flight tax taken together as percentage of total tax was 2 percent in 1981/82 while the same was 2.5 percent in 1996/97.

It may now be interesting to see if the revenue generated by government in the form of above-mentioned tourism related taxes is less or more than tourism development expenditure. It is revealed that tourism development expenditure is less than tourism related tax revenues. The tourism development expenditure as percentage of tourism related tax revenues increased from 11 percent in 1981/82 to 33 percent in 1996/97. If it is assumed that VAT and tourism tax revenues will not be less than what it used to be under sales tax and hotel tax, it can be seen that tourism development expenditure forms about one-third of resource generated from tourism related taxes. It is thus revealed that only a portion of revenues generated from tourism is spent on tourism activities. The scope exists for more expenditure or more investment in the field of tourism by the government.

The above-mentioned findings led to support the views of owners and executives of hotels, restaurants and resorts who often said that they are willing to pay taxes to the government but they are not getting anything in return instead. They complained that government has failed to provide necessary infrastructure facilities required for their efficient conduct of business.

Appendix 4.19 **Table 4.10:** Tourism development expenditure (1981/82-2003/04)

Year	Total devt. expd, Million Rs.	Tourism devt. expd, Million Rs.	Tourism devt. expd. as a % of total devt. expd.	Tourism devt. expd. per tourist, Rupees
1981/82	3,727	4.8	0.13	27
1982/83	4,982	5.7	0.11	32
1983/84	5,164	6.8	0.13	38
1984/85	5,489	6.1	0.11	34
1985/86	6,213	4.7	0.08	21
1986/87	7,378	13.8	0.19	56
1987/88	9,428	111.4	1.18	419
1988/89	12,329	17.2	0.14	72
1989/90	12,998	18.4	0.14	72
1990/91	15,980	12.4	0.08	42
1991/92	16,513	12.5	0.08	37
1992/93	19,414	61.8	0.32	211
1993/94	21,188	68.1	0.32	209
1994/95	19,795	147.4	0.74	406
1995/96	24,981	189.2	0.76	481
1996/97	26,543	203.7	0.77	483
1997/98	28,944	159.536	0.55	344
1998/99	28,531	154.089	0.54	314
1999/00	31,749	221.5	0.70	478
2000/01	37,066	383.661	1.04	1,062
2001/02	31,482	253.9	0.81	922
2002/03	29,033	189.7	0.65	561
2003/04	41,485	249.855	0.60	648
Change in 2003/04 over 1981-82	7.7	32.1	4.2	11.5

Source: Ministry of Finance (MOF), *The Expenditure Budget of Government of Nepal*, Kathmandu, (Related issues).

Chapter 5

Estimates of Tourist Arrivals and Tourism Earnings

Functions

5.1 Introduction

The significance of tourism is due to the fact that tourism accounts for significant proportion of world trade in goods and services, and can be considered to be one of the world's top industries, along with oil and motor vehicles (Fletcher and Latham 1995, 96). Similarly, one may start to evaluate the importance of tourism at a global level by noting that international tourism receipts for tourism had reached US\$ 435,069 million in 2004 (Travel and Tourism Intelligence 2004). There is perhaps no indicator that can single-handedly demonstrate the economic significance of tourism. Rather, economic impacts need to be viewed across a spectrum to include employment effects, contribution to gross domestic product and contribution to export earnings (Tribe 1999,77). For example, in 2004 total employment in tourism related industries including self-employment was 6.4 percent of the UK employed labor force and tourism accounted for 4 percent of GDP in the UK in 2003 (British Tourist Authority 2005, 23).

As a means of economic development, tourism has been the subject of much contention and discussion in recent years. Some say that tourism could be the stimulus for economic development, as was the case in Spain (Hawkins 1985, 209).

Others contend that tourism does not confer economic benefits and is socially very damaging, as was the finding in the Caribbean. The positive impact of tourism, no matter, how measured, shows that tourism does strengthen the economy of many areas. This economic benefit is best understood as a gross increase in the wealth or income measured in monetary terms of people located in an area over and above the levels that would prevail in the absence of the activity under study (Frechtling 1987).

Economic considerations are recognized as a driving force in tourism. While it is obvious that the economic conditions in the regions of origin have a direct bearing on demand, there is less awareness of the fact that economic conditions in the destination region have a direct impact on tourism supply (Butler and Hinch 1996, 12). Increasingly economic development through tourism is one of the strategies being chosen to foster the economic independence of indigenous people.

Undoubtedly, Nepal is one of the poorest countries of the world. The major problems faced by the country presently represent a rapidly rising population, fewer possibilities for developing industries, and limited scope for increasing agricultural production. In this context, tourism can be regarded as a means of achieving economic development. Nepal has many tourist destinations and the exploitation of these destinations offers a wide range of comparative advantages.

Nepal attracts number of tourists from all over the world. Most visitors are the tourists who come for holiday pleasure or for trekking and mountaineering. On an average, these two groups constituted about 80% of all visitors. The rest constitute

businessmen, government officials, convention participation, pilgrims, and others. In Nepal, the majority of tourists (about 80 percent) visit by air (Ministry of Culture, Tourism and Civil Aviation 2004). In the domestic flights also, about 30% constitute foreigners. Though most tourists confine themselves to Kathmandu, the other destinations are getting more popular among tourists. The prominent among them are Pokhara, Chitwan, Lumbini, Tansen and so on. Tourism in Nepal has been recognized as a field in which Nepal has a comparative advantage and that the development of tourism would contribute to the economic development efforts of the country (Ross 1991, 16).

A key objective of tourism in Nepal is to maximize the nation's earnings from tourism, and an important element of the strategy is to encourage sightseeing visitors to stay longer in Nepal and to provide them with wider opportunities to spend on Nepalese products and service. Developing destinations outside the Kathmandu Valley is seen to be an important element of the strategy.

The tourism sector in Nepal is still small because it is founded upon the exceptional natural assets receipts (Ross 1991, 84). Planned in a proper way, tourism industry can establish itself as a major industry. The average contribution of the tourism industry in the GDP has been estimated to be about 4 percent. Given the due attention, this sector can be expected to further contribute in the economic development of Nepal.

5.2 Rationale of the study

Interest in the study of the functions explaining the relationship of tourist arrival and tourism earnings with tourism expenditure, tourist accommodation and other factors has been stimulated by the fact that much of the recent literature on tourism, which has made significant contributions to the understanding of tourism in developing countries or regions, has done less to advance the field theoretically (Harrison 1992; Richter 1989). Still other approaches emphasize “sustainable” or alternative tourism as a means to development (Brohman 1996; Smith and Eadington 1992), but these works are largely prescriptive rather than explanatory in nature. These are by no means to be devalued, but the reality is that much of third world tourism today is not small scale, ecologically oriented, or even broadly participatory.

In a study of tourism in Mexico, Clancy (1999) observed that this country has attracted the largest number of foreign tourists and earned hard currency over the past 25 years and hence presents itself as ideal for analysis. As the number of tourists increased, tourism receipts increased significantly. The increase in the number of tourists also led to the growth of structured hotel industry.

Interest in the study of the of the functions explaining the relationship of tourist arrival and tourism earnings with tourism expenditure, tourist accommodation and other factors in the context of Nepal has also been stimulated by the technical studies for modeling and forecasting demand in tourism (e.g. Greenidge 2000; Papatheodorou 2000; Archer 1980; WTO 1981; Edwards 1985; van Doorn 1986)

though such studies have recently been complemented by more wide ranging, often qualitative, assessments of how tourism is going to develop throughout the world to the end of the present century and beyond. The majority of models estimated followed a time series, a single equation approach whereas in a more advanced context a number of demand systems are also estimated. In the first case, the dependant variable (usually the number of arrivals in a particular destination) is regressed on the tourist's disposable income and a group of cost factors for the examined area and its competitors, such as prices of local tourist products, exchange rates and transportation costs. In some occasions dummy variables are introduced to pick up the effect of special events. Moreover, the inclusions of lagged variables or of a time trend captures dynamic elements unless these are explicitly modeled (Papatheodorou 2000, 165).

It has been customary to estimate the demand for tourism in the economic literature, for example, Lee *et al.* (1996), Witt *et al.* (1995), Martin and Witt (1987, & 1988), Loeb (1982), and DRCG (1981). In such literature, tourism has been treated as a commodity and the estimation of the elasticities not only helps to understand the nature of goods but also enables the policy makers to determine the various implications for planning and promoting tourism. However, the present study is not intended to estimate tourism demand functions but it simply makes as attempt to estimate functions explaining the relationship of tourist arrival and tourism earnings with tourism expenditure, tourist accommodation and other factors in the context of Nepal. It attempts to ascertain the effect of tourism expenditure, tourist accommodation and other factors on tourist arrivals

and on tourism earnings. Specifically, this section of the study is directed towards revealing the following:

-) Estimate the tourist arrival functions that explain the role of tourism development expenditure, hotel accommodation facilities and manpower produced by Nepal Association of Tourism and Hotel Management, NATHM.
-) Estimate the functions explaining the role of tourism development expenditure, hotel accommodation facilities and manpower produced by NATHM on increasing foreign exchange earnings from tourism.

The methodological aspects including nature and sources of data, the model to be estimated, and the definition of variables had already been presented in the first chapter.

5.3 Analysis of Regression Results

This section presents the results of the estimates of parameters explaining the relationship of tourist arrival and tourism earnings with tourism expenditure, tourist accommodation and other factors in the context of Nepal by undertaking the time series analysis. The results are based on time series annual data from 1982 to 2004. The relevant elasticities were estimated by using SPSS program in the computer. The data on number of tourist arrivals and foreign exchange earnings are taken from the different issues of Nepal Tourism Statistics published by Ministry of Culture, Tourism and Civil Aviation, while data on tourism development expenditure of

Government of Nepal have been taken from various issues of the ‘Red Book’ published by the Ministry of Finance, Government of Nepal. Similarly, the data on the number of hotels, star hotel, hotel beds, and the manpower trained by NATHM have been taken from the relevant issues of ‘The Economic Survey’ published by the Ministry of Finance, Government of Nepal. For the purpose of regression analysis, the foreign exchange earnings and tourism development expenditure variables are deflated by using national consumer price index to take into account changing purchasing power of Nepalese rupees. The variables are developed from the review of literature. The regression equations were computed in double log form so as to facilitate the interpretation of beta coefficients in percentage form.

The role of tourism in economic development is generally seen as a stimulant to investment, an earner of foreign exchange, and an improvement to balance of payments (Butler and Hinch 1996, 60). Hence, it is postulated first that tourist arrival is a function of tourism investment. In order to determine if tourism investment vary proportionately or less than in proportion to changes in the tourist arrival, tourism development expenditure (EXPD) is regressed on number of tourist arrival (TOUR). The results obtained are as under:

$$\ln \text{ TOUR} = 8.73 + 0.40 \ln \text{ EXPD} \quad \dots \quad \dots \quad (5.1)$$

(31.43) (13.43*)

Adjusted $R^2 = 0.895$ $F = 180.43$ No. of observations = 23

Throughout this study, the figures in parentheses in the regression equations indicate t-values. These values marked with the asterisk sign (*) show that the results are significant at the 5

percent level of significance. Adjusted R^2 explains the variation in dependent variable due to the variation in independent variables, in other words, the goodness of fit of the model. Likewise, F- values indicate the extent to which adjusted R^2 is significant. Again, throughout the study, F-values are significantly higher and adjusted R^2 has been found significant at 5 percent level of significance in all the estimated equations.

The overall result presented by equation (5.1) is encouraging as it reveals that the number of tourists depends upon the tourism development expenditure. The sign of beta coefficient for tourism development expenditure is as per a priori expectation. The coefficient is also statistically significant and the goodness of fit of the model is also satisfactory. The results also indicate that the tourism development expenditure elasticity is less than unity, which indicates that if the number of tourists is to be doubled, tourism development expenditure needs to be increased by less than double, and hence there are economies of scale. These implications of the results may be of interest to planners and policy makers.

Tourism development requires infrastructure, primarily in the form of accommodation, transportation services and public utilities (Williams 1998,71). The building up of the said infrastructure often involves huge sum of money. The significance of the above model is that if the country is to set itself a target of 1 million additional tourist annually in next 5 years, it would need to expand its tourism infrastructure, hotel beds, new luxury tourist buses, airport and peripheral services (Laws 1995, 156). Hence, tourism infrastructure needs to be incorporated in tourism model building.

So far equation (5.1) ignored tourism infrastructure. In the absence of tourism infrastructure and other variables, tourist arrival should increase in relation to tourism development expenditure. However, the target levels of tourist arrival have been postulated not to depend solely on tourism development expenditure. Theoretically, the level of tourist arrival would depend on tourism infrastructure as well. This study has taken hotel accommodation facilities as a proxy for tourism infrastructure. When hotel accommodation facilities are first defined in terms of the number of hotel beds (HBEDS), and are included in the equation (5.1), the following results are obtained:

$$\ln \text{TOUR} = 7.59 + 0.20 \ln \text{EXPD} + 0.33 \ln \text{HBEDS} \quad \dots \quad (5.2)$$

(23.66*) (3.87*) (4.48*)

Adjusted $R^2 = 0.946$ $F = 186.36$ No. of observations = 23

The results revealed that the number of tourist arrivals depends upon tourism development expenditure and number of hotel beds. The estimated equation is strong and provides tourism development expenditure and number of hotel beds coefficients that are statistically significant with the theoretically correct signs. The coefficient of tourism development expenditure is less than unity, which indicates that holding the hotel beds coefficient constant, a one percentage point increase in expenditure leads on an average to about 0.20 percent increase in tourist arrivals. In the same way, holding the expenditure coefficient constant, equation (5.2) indicates that a one percentage point increase in hotel beds leads on an average to about a 0.33 percent increase in tourist arrivals. The effect of hotel beds on tourist arrivals is evident from the positive and statistically significant coefficient for hotel beds. Thus, increase in the target levels

of tourist arrivals by increasing tourism development expenditure and the number of hotel beds provides a moderately important channel by which tourism policy changes influence the economy. Again, the implications of the results may be of great significance to planners and policy makers.

The use of the number of hotel beds as a proxy for hotel accommodation facilities may not be a better representative and hence it is felt necessary to estimate the equations using total number of hotels (HOTELS) and total number of star hotels (SHOTELS). The equations are estimated to reconfirm the effect of hotel accommodation facilities on tourism. The results thus obtained are presented below:

$$\ln \text{TOUR} = 9.53 + 0.18 \ln \text{EXPD} + 0.25 \ln \text{HOTELS} \quad \dots \quad \dots \quad (5.3)$$

(45.27*) (4.41*) (6.13*)

Adjusted $R^2 = 0.949$ $F = 273.70$ No. of observations = 23

$$\ln \text{TOUR} = 8.17 + 0.14 \ln \text{EXPD} + 0.65 \ln \text{SHOTELS} \quad \dots \quad \dots \quad (5.4)$$

(36.24*) (3.58*) (4.74*)

Adjusted $R^2 = 0.969$ $F = 198.42$ No. of observations = 23

The results of the equations (5.3) and (5.4) are similar to the results of the equation (5.2). The substitution of explanatory variable, HBEDS by HOTELS and SHOTELS produced similar

results. The beta coefficients of these explanatory variables are significant with priori expected signs. However, it is noticed that with the use of SHOTELS, the explanatory power of the model has some what improved.

Tourism, among others, is a major foreign currency earner (Laws 1995, 158). Hence, in a study of tourism, foreign exchange earning is treated as one of the important parameters. As a rule, increase in tourism development expenditure should generate revenue from tourism. The regression of tourism development expenditure (EXPD) on foreign exchange earnings from tourism (EARN) produced the following results:

$$\ln \text{EARN} = -3.72 + 1.26 \ln \text{EXPD} \quad \dots \quad \dots \quad (5.5)$$

(-5.11) (15.99*)

Adjusted $R^2 = 0.924$ $F = 255.72$ No. of observations = 23

It is to be noted that equation (5.5) has been estimated by deflating tourism development expenditure in rupees (EXPD) and foreign exchange earnings from tourism in rupees (EARN) using the national consumer price index. The values of these explanatory variables are, therefore, the real values.

The above equation shows that foreign exchange earnings from tourism depend on tourism development expenditure. The estimated coefficient is statistically significant with the theoretically correct sign. The equation also reveals further facts. The expenditure coefficient is

more than unity, which indicates the absence of economies of scale, that is, doubling the foreign exchange earnings would require tourism development expenditure to be more than double.

In the absence of tourism infrastructure, revenue from tourism should increase in relation to tourism development expenditure. However, the target levels of revenue from tourism have been postulated not to depend solely on tourism development expenditure. Theoretically, the level of revenue from tourism would depend on tourism infrastructure as well. Hence, tourism infrastructure defined in terms of hotel accommodation facilities, more specifically; number of hotel beds is included in the equation (5.5). The regression of tourism development expenditure (EXPD) and the total number of hotel beds (HBEDS) on foreign exchange earnings (EARN) produced the following results:

$$\ln \text{EARN} = -5.67 + 0.90 \ln \text{EXPD} + 0.57 \ln \text{HBEDS} \quad \dots \quad \dots \quad (5.6)$$

(-5.33) (5.36*) (2.34*)

Adjusted $R^2 = 0.938$ $F = 159.15$ No. of observations = 23

The results revealed that foreign exchange earnings from tourism depend on tourism development expenditure and the number of hotel beds. The equation is strong and provides estimated coefficients that are statistically significant with the theoretically correct signs. The equation also reveals further facts. Holding the hotel beds coefficient constant, a one percentage point increase in expenditure leads on an average to about 0.90 percent increase in foreign exchange earnings, i.e. almost on one to one basis. In the same way, holding the

expenditure coefficient constant, the equation indicates that a one percentage point increase in hotel beds leads on an average to about a 0.57 percent increase in foreign exchange earnings.

Again, it may be interesting to examine if the use of the number of hotel beds as a proxy for hotel accommodation facilities is a better representative. In this connection, it may be useful to estimate the equations using total number of hotels (HOTELS) or total number of star hotels (SHOTELS). The results are presented below:

$$\ln \text{EARN} = -2.06 + 0.79 \ln \text{EXPD} + 0.51 \ln \text{HOTELS} \quad \dots \quad \dots \quad (5.7)$$

(-2.83) (5.64*) (3.67*)

Adjusted $R^2 = 0.953$ $F = 214.28$ No. of observations = 23

$$\ln \text{EARN} = -5.14 + 0.69 \ln \text{EXPD} + 0.66 \ln \text{SHOTELS} \quad \dots \quad \dots \quad (5.8)$$

(-8.43) (5.05*) (4.49*)

Adjusted $R^2 = 0.961$ $F = 260.25$ No. of observations = 23

The above equations do not produce any significant differences in results. The hotel accommodation facilities are represented well by all proxies, e.g., HBEDS, HOTELS, and SHOTELS. The beta coefficients are all significant with priori expected signs. However, the use of SHOTELS produced better results as explanatory power indicated by adjusted R^2 has improved in equation (5.8) over other estimated equations.

Thus, changes in the target levels of foreign exchange earnings from changing tourism development expenditure and tourism infrastructure may also provide important guidelines to planners and policy makers.

The tourism promotion in Nepal is usually aimed at increasing tourist arrivals and revenue from tourism. Generally it is considered that foreign exchange earnings could be increased if tourism promotion policies are geared towards increasing the number of tourists and hotel accommodation facilities. The effect of increasing the tourist inflow and hotel accommodation facilities on foreign exchange earnings may be seen from the estimated equation given below:

$$\ln \text{EARN} = -27.99 + 2.81 \ln \text{TOUR} + 0.60 \ln \text{HBEDS} \quad \dots \quad \dots \quad (5.9)$$

(-6.15*) (4.46*) (0.27)

Adjusted $R^2 = 0.924$ $F = 127.99$ No. of observations = 23

$$\ln \text{EARN} = -24.54 + 2.53 \ln \text{TOUR} + 0.19 \ln \text{HOTELS} \quad \dots \quad \dots \quad (5.10)$$

(-3.35*) (3.58*) (0.65)

Adjusted $R^2 = 0.925$ $F = 130.49$ No. of observations = 23

$$\ln \text{EARN} = -19.87 + 1.78 \ln \text{TOUR} + 1.42 \ln \text{SHOTELS} \dots \quad \dots \quad (5.11)$$

(-3.99*) (2.92*) (2.04)

Adjusted $R^2 = 0.937$

$F = 157.32$

No. of observations = 23

The results indicate the number of tourist arrivals and hotel accommodation facilities are positively related to foreign exchange earnings from tourism. All the estimated beta coefficients have priori expected signs but hotel accommodation coefficients are not significant. The equations provide that larger number of tourist arrivals and increase in hotel accommodation facilities would increase foreign exchange earnings. Again the hotel accommodation facilities are better represented by SHOTELS, as the goodness of the fit of the model has improved with the use of this explanatory variable.

Through the creation of jobs, tourism can provide an opportunity for the native population to increase their income and improve their standard of living, and can also positively affect quality of life (Butler and Hinch 1996, 51). Tourism, as a matter of policy, should make provision for the training and education of the people to develop their full potential (Laws 1995, 158). The tourism destinations fail to compete with high-quality tourism destinations that, in consequence, are able to charge higher prices and enjoy more buoyant demand for their products (Cooper *et al.* 1998, 203). Tourism thus requires the availability of trained manpower. In Nepal, Nepal Academy of Tourism and Hotel Management (NATHM) has been producing tourism manpower for the last several decades. The role of NATHM may be observed by estimating the equations given below:

$$\ln \text{TOUR} = 8.04 + 0.06 \ln \text{EXPD} + 0.33 \ln \text{HBEDS} + 0.13 \ln \text{NATHM} \dots (5.12)$$

$$(20.89^*) (0.52) \quad (4.26^*) \quad (2.62^*)$$

Adjusted $R^2 = 0.955$ $F = 114.72$ No. of observations = 23

$$\ln \text{EARN} = -14.79 + 1.29 \ln \text{TOUR} + 0.49 \ln \text{HBEDS} + 0.35 \ln \text{NATHM} \quad \dots (5.13)$$

(-1.28) (0.92) (0.88) (1.37)

Adjusted $R^2 = 0.880$ $F = 40.06$ No. of observations = 23

The inclusion of NATHM variable in the equations did not produce better results. Though the NATHM variable has a theoretically correct sign in both of the equations, the coefficient is significant in equation (5.12) only. However, the moderate role played by NATHM should be considered in tourism planning and promotion strategies.

5.4 Discussion

This section of the study estimated functions explaining the relationship of tourist arrival and tourism earnings with tourism expenditure, tourist accommodation and other factors in the context of Nepal. The regression of tourism development expenditure and the number of hotel beds on total number of tourist arrivals indicated that the estimated coefficients were significant at 5 percent level of significance with the theoretically correct signs. The coefficient of tourism development expenditure implies that higher tourism development expenditure increases tourist inflow. The estimated results also indicated that this coefficient is less than unity. However, tourism development expenditure is not the only variable that affects tourist arrivals. Tourist arrivals would also depend on tourism infrastructure. Tourism infrastructure was defined in terms of hotel accommodation facilities, such as number of hotel, hotels beds, and

star hotels. The use of total number of hotel beds may not be a true representative for hotel accommodation facilities and hence it was felt necessary to estimate the equations using total number of hotels and total number of star hotels. However, the estimated equations did not produce any difference in results as such.

Tourism has been treated as a major foreign currency earner particularly in the developing countries. The tourism development expenditure and hotel accommodation facilities are generally aimed at increasing foreign exchange earnings. The regression of tourism development expenditure and total number of hotel beds on foreign exchange earnings from tourism revealed that the estimated coefficients are statistically significant with theoretically correct signs. It implies that increase in tourism development expenditure and hotel beds would increase foreign exchange earnings.

The regression equations are also estimated substituting number hotel beds by number of hotels and number of star hotels. The estimated equations, however, did not produce any significant difference in results.

The regression equations were also estimated to reveal the effect of increasing tourist arrivals and hotel accommodation facilities on foreign exchange earnings. The results, among others, indicated that larger number of tourist arrivals and increase in hotel accommodation facilities would increase foreign exchange earnings. The estimated coefficients are statistically significant with theoretically correct signs.

The inclusion of variable for manpower produced by Nepal Academy of Tourism and Hotel Management (NATHM) did not produce better results.

Wastages: Do not print matters given below:

Tourism has emerged as an industry, which according to World Tourism Organization, generated approximately 74 million jobs in its direct and service-oriented industries, such as airlines, hotels, travel services, and publications (Eadington and Smith 1994). Many countries that have possessed the necessary resources for tourism development have chosen, consciously or otherwise, the path of developing large-scale tourism as a major national activity. In industrialized countries, tourism is frequently replacing manufacturing, distribution, or extractive industry. In developing countries, the shift typically has been from an agrarian economic base to a touristic economic base, bypassing an industrial phase altogether (Eadington and Smith 1994).

Tourism is not always full of blessings. Tourism policies frequently fail, especially in developing nations, in terms of contributing to genuine development of the

country (Richter 1989, 18). Often they are expensive, capital-intensive, import-driven, seasonal, given to excessive foreign exchange leakage, and subject to well-documented negative social effects. Yet these same policy mistakes are made over and over again.

During the last 50 years, tourism in most areas of the world has developed with little or no planned activity (Hawkins 1985, 158). Substantial investments for infrastructure and tourism facilities like hotels, airports, roads, power, and sanitation were made in destinations attracting the pleasure visitor to meet ever-increasing demands. Pacific and Asian countries have been exposed to such rapid and haphazard development, particularly in the Philippines, Japan, Thailand, and Singapore (Hawkins 1985, 158). Those familiar with such developments have been appalled at the extent to which commercialization has taken precedence over the care and protection of landscape and environment. Besides, the large numbers of tourists are going to the same destination at the same time due to holidays being concentrated in certain months of the year. The results are crowded beaches, mountains, and lakes, ever widening roads, and increasing congestion that threatens the value of the vacation experience itself.

It would be interesting to see whether the findings of the research on Nepalese tourism will support the case of Spain or Caribbean.

The business of tourism can be viewed at both the microeconomic and macroeconomic levels. At the micro level a whole range of business organizations

exist to make profit from satisfying tourists' demands. The macroeconomic effects of tourism result from aggregating the economic activities of consumers and producers to give a national or global picture. At the micro level, businesses providing tourism services fall into the main categories of travel facilitators, transport, hospitality, attractions and miscellaneous services. Travel facilitators include tour operators, retail travel agents and tourist offices. The scale of their activities is readily evidence in profit and loss accounts. The hospitality part of the business of tourism encompasses accommodation and catering.

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Chapter 6

Micro Perspective of Tourism in Nagarkot

The micro perspective of tourism in Nagarkot has been analyzed on the basis of information obtained from related institutions and by conducting a survey. The characteristics of tourism in relation to information obtained through different responding groups are separately discussed in the following sections. This chapter begins with the overview of Nagarkot as a tourist destination, followed by analysis of tourism planning, and survey results of tourists, local households and hotels/lodges. The survey is intended to reveal the problems and prospects of tourism development by conducting a case study of tourism in Nagarkot.

6.1 Overview of Nagarkot

Nagarkot is located 20 kilometers and 32 kilometers northeast of Bhaktapur and Kathmandu respectively. Nagarkot, which is easily accessible by a black topped road, is about an hour's drive from Kathmandu. Nagarkot is situated between 27° 36' to 27° 44' North latitude and between 85° 21' to 85° 32' north longitude. The temperature ranges from 32 degrees Celsius in summer to minus 2 degrees Celsius in winter. The location of Nagarkot is provided in Figure 6.1. The place is a peaceful area in the hills and there are about 696 households consisting of 5255 population as per population census of 2001.

Nagarkot is a land of scenic beauties and diversities. The top of Nagarkot

commands exhilarating views in all directions. The hills, mountains, Himalayan ranges, rivers, sunrise and sunset, forests, and compact valley settlement are the major attractions to the tourists. The important Himalayan peaks like Manaslu (8,156 m.), Ganesh Himal (7,406 m.), Langtang (7,246 m.), Cho-O-Yu (8153 m.), Gauri Shanker (7,145 m.), and Mt. Everest (8848 m.) are very close at sight from here. The profiles of high Himalayas from Nagarkot are provided in Figure 6.2. The natural beauty of Nagarkot varies from time to time. In the early morning between 6.30 a.m. to 7.00 a.m., sunrise from the eastern mountain is the main attraction. At noon, the land becomes warm with daylight and the dense Kathmandu Valley settlement can be seen clearly. In the evening, the view of sunset becomes another attraction. The full moon night is quite different from other nights in Nagarkot. In the full moon night, the Himalayan peaks brighten like silver. Nagarkot also offers some of the most unusual and delightful trekking in matchless Himalayas, meadows and forests. Taming, Brahmin, Chhetrias, and Newars are the main dwellers of Nagarkot. The diversified cultures, curious villages, and terraced farmlands are the sightseeing attractions to tourists. An idea about the scenic beauties of Nagarkot can be had from some of the photographs given in Appendix 6.1. These photographs provide an evidence of Nagarkot as a good tourist centre.

Situated at an altitude of 2,175 m above the sea level, Nagarkot is the second highest point in the valley rim, wherefrom the mesmerizing panoramic view of the Himalayan range can be viewed. The peaceful and cool atmosphere, unique hiking trails through Tamang villages, beautiful landscape and good tourist facilities

including a five-star hotel are additional attractions. Besides natural beauty, there are other attractions of historical and religious importance. They include temples and buildings, such as Mahadev Pokhari – below the tower, where people in and around the valley mostly flock to during Janai Purnima, Kalidevi temple, Mahakal temple, Panchakanya temple, Jalpadevi, Remborchhe Gumba – a Buddhist monastery and two historical caves, namely, Chanero Gupha and Raksi Gupha. The temples are not only interesting architecturally but also the legend associated with them. The other attractions also include walking around the villages of various ethnic groups, experiencing the lifestyle of villagers, and hiking through the dense forest. Nagarkot offers short trekking opportunities to those who could not undertake long treks due to numerous reasons. One can consider four possibilities of trekking as a part of the way back to Kathmandu from Nagarkot. The first trekking route is Nagarkot-Sankhu-Boudhnath-Kathmandu, relatively easy trek that takes about two hours to Sankhu and then leave by bus for Kathmandu. The second route is Nagarkot-Changunarayan, which is perhaps the easiest way of combining mountain views (Nagarkot), trekking and cultural and heritage site (Changunarayan). The Changunarayan temple is one of the seven world heritage site in the valley designated by UNESCO. From Changunarayan, one can either walk to Bhaktapur or Boudhnath and return to Kathmandu by bus or taxi. The third trekking route is Nagarkot-Banepa during which one can pass through the village of Nala which has a four tiered pagoda temple of Machhendranath. From Banepa, there are buses to Kathmandu or the tourist may visit Panauti or Dhulikhel, which are easily accessible. The fourth trek is from Nagarkot to Shivapuri. These attractions indicate that Nagarkot can

be a small but good tourist destination if promoted on sound basis.

Figure 6.1: Location of study area (Nagarkot)

Figure 6.2: The profiles of high Himalayas from Nagarkot

6.2 Tourism planning in Nagarkot

Tourism planning at the micro level can be analyzed on the basis of prevailing practice of tourism in specific tourist localities of the country. The planning and performance of tourist related activities in different parts of the country form an integral part of tourism studies particularly in countries where tourism planning at micro level continues to be a part of central level or macro level planning on most occasions. The Fourth Plan and the Eighth Plan specifically mentioned that Nagarkot would be developed in order to attract tourists of all types, which shows the importance of Nagarkot as a tourist destination.

In order to determine a state of tourism planning in Nagarkot, this study has undertaken a visit to Nagarkot VDC, Nagarkot Naldung Tourism Development Committee (NNTDC), Naldung VDC, Bhaktapur DDC, Bhaktapur Tourism Development Committee (BTDC) and Kavre DDC as these institutions are

directly or indirectly related to overall development of Nagarkot. As far as the Nagarkot VDC is concerned, it has a small amount of budget and it does not undertake any tourism planning and development. The Bhaktapur DDC however undertakes and implements various projects in Nagarkot VDC and the various projects undertaken by this DDC for the development of Nagarkot in the year 2061/62 are provided in Appendix 6.2. The projects are related to drinking water, play grounds, school building, repair and maintenance of roads, landslide control, etc., but clearly there are no specific projects related to tourism development in Nagarkot, which shows the absence of tourism planning and development in Nagarkot. The study of the budgets of Bhaktapur DDC revealed that it has provisioned the budget for BTDC to the extent of Rs.3,432,000 for the year 2062/63 (Bhaktapur DDC 2062, 6). However, the BTDC does not plan any thing for tourism development in Nagarkot.

Nagarkot is a place, which lies under three districts, namely, Kathmandu, Bhaktapur and Kavre. Since Nagarkot is easily accessible from Bhaktapur district due to black topped road, its development depends primarily on the budget provided by Bhaktapur DDC. The Naldung VDC, and Kavre DDC do not plan any thing for tourism development in Nagarkot. It is only the Bhaktapur DDC that appropriates some budget for the development of Nagarkot, which does not contain any specific for tourism development.

Nagarkot Tourism Development Committee (NTDC) has been the major agency, which is very much concerned with tourism planning and development in

Nagarkot. With a purpose of undertaking tourism development in a planned way, NTDC was established in 1992/93 with the initiation of private sector. The committee was successful in achieving developing some tourism infrastructure in Nagarkot, mainly electrification in hotel/lodge area, and the construction of roads to hotels/lodges. In 1994/95, the name of the committee was changed to Nagarkot Naldung Tourism Development Committee (NNTDC). The major activities undertaken by NNTDC may be summarized as under:

-) Approached the government including Nepal Telecom and developed telecommunication facilities in Nagarkot.
-) Co-ordinated with Non-star Hotel Association of Thamel, Kathmandu and undertook various cleaning programs in Nagarkot so as to keep it neat and clean.
-) Approached the government including the Department of Roads and undertook black topping of the roads to hotel areas in 1997/98 when the Visit Nepal Year program was undertaken. About half of the costs were by met by Department of Roads provided through Bhaktapur DDC and the other half were met by hotels/lodges of Nagarkot.
-) Organized sports activity in Nagarkot.
-) Approached the government and arranged drinking water in 2054 with the cooperation of SOYA, Social Youth Association, NGO. Again, about half of the costs were by met by government and the other half were met by hotels/lodges of Nagarkot.
-) Organized Nagarkot festival and Changa Chait (kite flying) program in 2058 in coordination with Hotel Club Himalaya & NTB.

-) Renovated Mahadev Pokhari.
-) Organized bi-cycle race.

Thus, NNTDC is trying to promote tourism development in Nagarkot by undertaking various programs. It has established small schools, and health posts too thus providing benefits to the local people.

These indicate that no specific micro level tourism planning exercise exists in Nepal. A few planning efforts on adhoc basis and on project related works could be taken as local level tourism planning efforts in some of the selected large tourist destinations (Eachern 1995, Gruz 1999, Hummel 1999, Nepal 2000, Parker 1993, Robinson 1997, Rogers 1997, Zwartkruis 1995). However such efforts are lacking in small tourist destination like Nagarkot.

The following sections describe the performance of tourism in Nagarkot at the micro level. In this case study, changes in specific character of tourism performance over a period of ten years were also discussed. The case study is mainly based on the survey of tourists, local households, and hotels conducted in the year 2005. The comparison of the results was also made with the earlier study undertaken in 1995 (Pradhan 1997) to provide insight into tourism impact in Nagarkot over a period of about 10 years. The questionnaires for the survey of tourists, local households and hotels in Nagarkot are provided in Appendices 1.1, 1.2 and 1.3 respectively as described already in Chapter 1. The study reports the absolute rupee and US dollar amounts at current prices.

6.3 Survey of Tourists

It is not known how many tourists visited Nagarkot in recent years but the number of tourists who visited Nagarkot was observed to be 3309 persons in 1992, 2746 persons in 1993, and 3676 persons in 1994 (Pradhan 1997). These figures represent 1.25 percent, 1.13 percent, and 1.02 percent of total tourists who visited Nepal at the national level respectively in 1992, 1993 and 1994, leading to the average of 1.29 percent. The then Department of Tourism used to provide data on tourism arrivals in Nagarkot but after the closure of this Department to form Nepal Tourism Board, the practice was discontinued and hence the number of tourists visiting Nagarkot in recent years is not known precisely. However it is estimated that the number of tourists visiting Nagarkot may be seen as 4362 persons in 2003, 4970 persons in 2004, and 4843 persons in 2005. These figures were estimated by applying the average annual percentage of 1.29 percent of total tourists who visited Nepal from 1992 to 1994. The following section analyses results of the survey of some these tourists.

(a) Tourist composition

The tourist survey of 1995 covered 108 tourists, of which 67 percent were male tourists while remaining 33 percent were females. The 2005 survey was also based on 108 tourists. Of them, 46 percent were male tourists and 54 percent were female tourists. The comparison of two

surveys showed a change in sex composition of tourists visiting Nagarkot with female dominance at present.

Nagarkot attracts tourists of different nationalities. The surveys conducted in 1995 and 2005 revealed that tourists of nationalities like Asians, Australians/New Zealanders, Europeans, Indians, North Americans, and South Americans (Table 6.1) visited Nagarkot. The 1995 survey of tourist arrivals in Nagarkot comprised 28 percent of North Americans, 23 percent of Europeans, 22 percent of Asians (excluding Indians), 18 percent of Indians, 5 percent of South & Central Americans, and 4 percent of Australians/New Zealanders. The North Americans and Europeans together comprised of 51 percent of total tourist respondents, indicating the nationalities of major arrivals in Nagarkot. Similarly, the tourist survey of 2005 revealed that tourists of different nationalities visited Nagarkot. However there were some shifts in 2005 over 1995. The majority of tourists visiting Nagarkot in 2005 were Europeans (39 percent) followed by North Americans (22 percent), Asians excluding Indians (17 percent), Indians (13 percent), Australians and New Zealanders (6 percent), and South & Central Americans (3 percent). Hence the percentage of European and Australian/New Zealander tourists visiting Nagarkot increased over a period of time, while the percentage declined for other major nationalities.

Table 6.1: Tourists arrivals in Nagarkot by major nationalities in 1995 and 2005

Continent	The Tourist Survey 1995		The Tourist Survey 2005	
	Number	Percentage	Number	Percentage
Asians (Excluding Indians)	24	22	19	17
Australians & New Zealanders	4	4	6	6
Europeans	25	23	42	39
Indians	19	18	14	13
North Americans	30	28	24	22

South & Central Americans	6	5	3	3
Total	108	100	108	100

Source: *The Field Survey*, 1995 & 2005.

Nagarkot attracts tourists of different ages. As per the tourist survey of 1995, the nine percent of tourists were below 20 years of age while 74 percent were within the age group of 21 and 40 years and 17 percent of them were over 40 years. The tourist survey of 2005 showed that three percent of tourists were below 20 years of age while 72 percent were within the age group of 21 to 40 years. Similarly, 22 percent of tourists over 40 years, and three percent were above 60 years of age. Hence the tourists over 40 years of age has increased in 2005 as compared to 1995.

Nagarkot also attracts tourists of different occupations. As per the 1995 tourist survey, the majority of tourists were service-holders (33 percent) followed by students (28 percent), businessmen (24 percent) and other occupations (15 percent). The other occupations include farmers, social workers, artists, etc. Similarly, service-holders comprised of teachers, lawyers, technicians, engineers, physicians, nurses, and government officials. As per the tourist survey of 2005, the majority of tourists were service-holders (36 percent) followed by businessmen (20 percent), students (19 percent), and other occupation (25 percent). There has been a slight increase in service-holder tourists visiting Nagarkot, while there has been some decline in businessmen and student tourists in 2005 over 1995. The tourists in other occupation category also increased over a period of time.

Of the total tourist arrivals in Nagarkot, the tourist survey of 1995 indicated that 52 percent visited alone while 28 percent visited with the spouse and children.

However the tourist survey of 2005 revealed that 38 percent visited alone while 36 percent visited with spouse, 16 percent visited with spouse and children, 10 percent visited with friends. Thus there has been a decline in tourists visiting alone over a period of time. There is a growing tendency by the tourists to visit Nagarkot with spouse, children, and friends.

(b) Mode of transportation

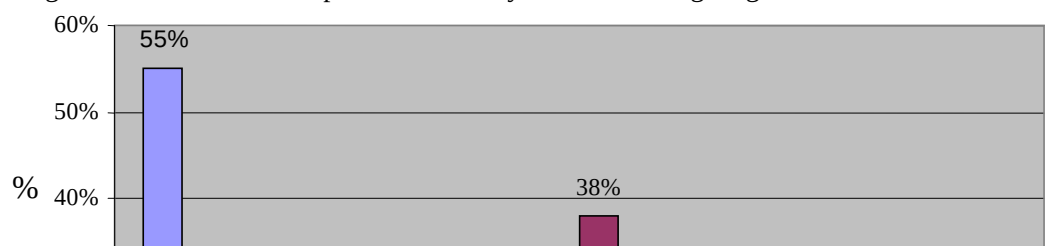
Nagarkot is accessible by asphalt road and the route net work to Nagarkot is shown in Figure 6.3. There are various modes of transportation available for visiting Nagarkot, such as local bus, taxis, travel coach, motorcycle, and bicycle. The tourists' preference of various means of transportation may be seen from Figure 6.4.

As per the 1995 tourist survey, the majority of tourists visited Nagarkot by travel coach (55%). The other means of transportation used by tourists were taxis (18%), trekking (13%), local bus (9%), motorcycle (4%), and bicycle (1%). Hence travel coach was the most popular means of transport used by the tourists who visited Nagarkot in 1995. However the 2005 tourist survey indicated some kind of shift in the means of transportation system used by the tourists. The 2005 survey revealed that the majority of tourists travelled Nagarkot by local bus (55%), followed by taxi (29 percent), travel coach (12 percent), trekking (11 percent), private car and bus (4 percent), motorcycle (3 percent) and bicycle (3 percent). It indicates that preference for travel coach by tourists has declined while preference for taxis and

buses has increased in 2005 over 1995. The private cars and buses were not very popular in 1995 while they now appear to be becoming popular among the tourists in 2005. The change could be attributed to improvement of bus and taxi services in the country.

Figure 6.3: Route Network to Nagarkot

Figure 6.4: Means of transportation used by tourists visiting Nagarkot in 1995 and 2005



Source: *The Field Survey, 1995 & 2005.*

Source: *The Field Survey, 1995 & 2005.*

(c) Purpose

To promote tourism, it is necessary to understand the purpose of tourists visiting Nagarkot. Tourists visit Nagarkot with different purposes. The tourists were asked to evaluate the different purposes on a five-point scale where the value of 'one' was to be assigned for the most preferred purpose and the value of 'five' was to be assigned for the least preferred purpose. Based on this, a weighted value was calculated first and then it was used to compute mean values.

Mean values were then used to determine the overall ranking of different purposes. Lower values indicate that the purpose is more important and higher values indicate that the purpose is least important. In case, identical mean values are obtained, quartile values also need to be computed. Lower quartile value indicates lesser dispersal in the responses and hence the purpose is important. On the other hand, higher quartile value indicates greater dispersal in the responses and hence the purpose is not important. However no identical mean values were noticed.

Table 6.2: Purpose of tourists' visit to Nagarkot

Purpose of visit	Total response	Weighted value	Mean value	Overall rank
<u>1995 survey results:</u>				
1.Sightseeing	108	318	2.9	2
2.Mountain viewing	108	214	2.0	1
3.Relaxation	108	328	3.0	3
4.Visiting tribal villages	108	650	6.0	5
5.Trekking	108	656	6.1	6
6.Bird/wildlife watching	108	1,006	9.3	7
7.Sunrise watching	108	476	4.4	4
<u>2005 survey results:</u>				
1.Sightseeing	108	379	3.5	3
2.Mountain viewing	108	205	1.9	1
3.Relaxation	108	225	2.1	2
4.Visiting tribal villages	108	594	5.5	6
5.Trekking	108	554	5.1	5
6.Bird/wildlife watching	108	655	6.1	7
7.Sunrise watching	108	409	3.8	4

Source: *The Field Survey, 1995 & 2005.*

The major purpose of visiting Nagarkot by the tourists was mountain viewing, sightseeing, and relaxation. There was no major change in this pattern during the period of 1995 and 2005.

Concerning the repetition of visits by tourists, the 1995 tourists' survey indicated that about 80 percent of them visited Nagarkot for the first time. It means that 20 percent of them were undertaking repeat visits to Nagarkot. Of them, 45 percent were visiting for the second time, 35 percent for the third time, and the rest, 20 percent for more than three times. When asked if they would like to visit Nagarkot again, 95 percent replied positively and only 5 percent replied in a negative way.

The 2005 tourists' survey showed some change in the repeat visits by tourists in Nagarkot. Seventy four percent of tourists visiting Nagarkot indicated that they were visiting Nagarkot for the first time. Again, it means 26 percent of them were undertaking repeat visits to Nagarkot. Thus, there has been an increase by 6 percent in repeat visits by the tourists. Of the tourists undertaking repeat visits to Nagarkot, 52 percent were visiting for the second time, 38 percent for the third time, and the rest 10 percent for more than three times. Thus there has been an increase in second time visitors and third time visitors but a decline in more than three times visitors to Nagarkot. When the tourists were asked in 2005 if they would be willing to visit Nagarkot again, about 96 percent of them replied positively and only four percent replied in negative. It indicates that Nagarkot is popular for repeat visits by the tourists and they are not likely to decline in the years to come as well.

The tourists visiting Nagarkot were also asked how did they come to know about Nagarkot. The tourists replied that they came to know about Nagarkot mainly through travel agencies, Lonely Planet guide book (Finlay, 2001), other publications, and friends. During the study, it was revealed that the majority of visitors visited Nagarkot after visiting other important tourist places, e.g., Kathmandu, Pokhara, Annapurna, Chitwan, Bhaktapur, and Patan.

(d) Expenditure

The 1995 tourist survey showed that a tourist visiting Nagarkot spent, on an average, of US\$9.4 on lodging, US\$12 on fooding, and US\$6.9 on local items per day, leading to a total of US\$28.3. Similarly, the 2005 tourist survey revealed that a tourist, on an average, spent US\$17.2 on lodging, US \$15.1 on fooding, and US\$9.4 on local items, leading to US\$41.7 per day. The local items comprised of handicrafts, souvenir, post cards, carpets, and readymade garments. Thus the average per day expenditure pattern of tourists visiting Nagarkot has increased over a period of time for lodging, fooding, as well as for local items. The per day expenditure on lodging increased by about 1.8 times while the same for fooding increased by about 1.3 times in 2005 over 1995. The per day expenditure on local items increased by about 1.4 times. The increase in tourists' spending may be attributed to some extent to price rise as well. The distribution of expenditure pattern is shown in Table 6.3.

The 1995 tourist survey indicated that about 83 percent of tourists visiting

Nagarkot had spent less than US\$10 per day on lodging. Similarly 69 percent spent less than US\$10 per day on fooding. As regards the spending on local items, 85 percent of tourists spent less than US\$10 per day. However, the 2005 tourist survey revealed that about 56 percent of tourists visiting Nagarkot spent less than US\$10 per day on lodging, and about 63 percent of tourists spent less than US\$10 per day on fooding. Similarly, 70 percent of tourists spent less than US\$10 on local items. Thus, there had been a decline in low spending tourists and increase in high spending tourists over a period of time.

Table 6.3: Per day expenditure pattern of tourists visiting Nagarkot in 1995 and 2005

US \$	Lodging		Fooding		Local items	
	No.	%	No.	%	No.	%
<i><u>1995 survey results</u></i>						
<\$10	90	83	74	69	92	85
\$11-\$20	6	6	18	17	13	12
\$21-\$30	4	4	4	4	2	2
\$31-\$40	2	2	4	4	1	1
\$41-\$50	2	2	2	2	0	0
>\$50	4	4	6	6	0	0
Total	108	100	108	100	108	100
<i><u>2005 survey results</u></i>						
<\$10	60	56	69	63	76	70
\$11-\$20	15	13	12	11	24	22
\$21-\$30	10	9	7	7	3	3
\$31-\$40	6	6	6	6	3	3
\$41-\$50	5	4	5	5	1	1
>\$50	12	11	9	8	1	1

Total	108	100	108	100	108	100
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Source: The Field Survey, 1995 & 2005.

The tourist survey of 1995 showed that the prices charged for lodging and fooding in Nagarkot were moderate as viewed by the majority of tourists (56 percent). The 28 percent of tourists felt that prices were on higher side while 16 percent felt that prices were cheap. The 2005 tourist survey revealed that there has not been a major change as far as the perception of the tourists on lodging and fooding is concerned. The 2005 survey indicated that the majority of tourists (59 percent) viewed that the prices charged for lodging and fooding in Nagarkot was moderate while 26 percent of tourists viewed that they were on higher side. Likewise 12 percent of tourists felt that prices were cheap while 3 percent remained undecided.

Regarding the standard of lodging and fooding, the 1995 tourist survey revealed that the standard was good as viewed by the majority of tourists (50 percent), while 15 percent viewed that the standard was excellent. Similarly 35 percent of tourists indicated that the standard was moderate. As per the 2005 tourist survey, the majority of tourists (55 percent) indicated that the standard of lodging and fooding was good, while 17 percent indicated that it was excellent. Similarly, 28 percent of tourists indicated that it was moderate. Thus there has not been a significant change in the standard of lodging and fooding as perceived by the tourists over a period of time.

(e) Prospect of tourism

In an attempt to determine the prospect of tourism in Nagarkot, tourists were asked whether favorable prospect of tourism exists in Nagarkot. The 1995 and 2005 survey results were presented in Table 6.4.

Table 6.4: Prospect of tourism in Nagarkot as viewed by tourists

Prospect	The 1995 tourist survey		The 2005 tourist survey	
	Number	%	Number	%
Very Favorable	38	35	23	22
Favorable	52	48	55	51
Don't Know	16	15	28	26
Unfavorable	2	2	2	1
Total	108	100	108	100

Source: *The Field Survey, 1995 & 2005.*

As per the 1995 tourist survey, the majority of tourists (48 percent) viewed that favorable prospect exists for tourism development in Nagarkot. Similarly, 35 percent of tourists viewed that the prospect was very favorable, and 2 percent viewed that the prospect was unfavorable. There were 15 percent of tourists who were undecided about tourism prospect in Nagarkot. There has not been a major change in the perception of tourists as regards the prospect of tourism in Nagarkot over a period of time. The tourist survey of 2005 revealed the existence of favorable prospect for tourism in Nagarkot for the majority of tourists (55 percent), followed by 22 percent of tourists for very favorable prospects, and 1 percent of tourists for unfavorable prospects. There were 26 percent of tourists who were undecided about tourism prospect in Nagarkot. Viewed in this way, Nagarkot can be developed as an important tourist place, which can attract significant number of tourists in future.

(f) Tourism Infrastructure

To promote tourism, the development of tourism infrastructure is a must. The study of tourists' opinion on tourism infrastructure in Nagarkot is hence considered to be very important. The tourists were asked to evaluate the different infrastructure facilities on five points scale where the value of 'one' was to be assigned for the most excellent facility and the value of 'five' was to be assigned for the very bad or poor facility.

Median values were computed in order to determine the overall ranking of the present state of infrastructure facility. Lower values indicate that the facility is excellent and higher values indicate that the facility is very bad or poor. In the cases, where identical median values were obtained, quartile values were computed. Lower quartile value indicates lesser dispersal in the responses and hence the facility is good. On the other hand, higher quartile value indicates greater dispersal in the responses and hence the facility is bad or poor. The survey results of 1995 and 2005 tourist surveys are presented in Table 6.5. Clearly, there are no identical median values and hence there is no need to determine quartile values.

Table 6.5: Evaluation of tourism infrastructure by tourists visiting Nagarkot in 1995 and 2005

Items	1995 results	2005 results
	Median	Median
Cleanliness of the place	1. 87	0.84
Road conditions to Nagarkot	3. 06	0.80
Behavior of local people	1. 16	0.95

Electricity supply	1. 42	0.44
Water supply	1. 81	0.55
Sanitation	1. 93	1.93
Septage collection/disposal	2. 37	2.47
Drainage	2. 42	2.46
Street lighting	2. 86	2.67
Toilet facilities	1. 93	1.34
Security	1. 80	2.55
Tourist guides	2. 21	1.21
Hotel facilities	1. 41	1.30
Communication facilities	2. 50	1.00
Trekking facilities	2. 32	1.54

Source: *The Field Survey, 1995 & 2005.*

According to the tourist survey of 1995, the first five major facilities that were considered poor by tourists were road condition to Nagarkot, street lighting, communication facilities, drainage, and septage collection and disposal. However, as per the tourist survey of 2005, the first five major facilities that were considered poor by tourists were, street lighting, security, septage collection and disposal, drainage, and sanitation. Even after ten years of time period, street lighting, septage collection and disposal, and drainage facilities have not improved. Security, which was not the major problem in 1995, had turned out to be a serious problem in 2005. The road condition and communication facilities which were major problems in 1995 were no longer the major problems in Nagarkot over time.

It is noted that there has been some positive improvement in some infrastructure facilities like road and communication facilities. However, no positive change has been seen in major facilities like street lighting, septage disposal, drainage, and sanitation. The lack of positive developments in major infrastructure facilities shows that no effect has been accorded so far in this area.

6.4 Survey of local households

This section presents the results of the survey of local households undertaken in Nagarkot in 1995 and 2005. The results are based on questionnaires administered to 60 households both in 1995 and 2005. The household survey was conducted by covering the houses located in about one hour walking distance from the hotels in Nagarkot area. The distribution of households in Nagarkot is indicated in Figure 6.5.

Tourism in Nagarkot has brought both good as well as negative effects. It is implied that any tourism planning in Nagarkot should aim at maximizing the good effects and minimizing the negative effects. One of the objectives of this case study is also to find out the extent to which positive impacts of tourism have increased and negative impacts declined over a period of ten years. It is obvious that many changes have taken place in the life styles of local people over a period of ten years with the growth of tourism in Nagarkot.

(a) Positive impact of tourism on local people

Tourism in Nagarkot has brought several good impacts on local people. The development of tourism in Nagarkot has brought many changes on the lives of local people. The 1995 survey indicated that about 59 percent of local people were benefited from tourism while 26 percent did not. The rest 15 percent could not decide whether they were benefited from tourism or not. However this situation has changed greatly in 2005. The 2005 survey indicated that about 90 percent of

local people were benefited from tourism while only 10 percent indicated that they were not benefited from tourism. Thus the percentage of local people benefited from tourism increased over a period of 10 years. Those who were benefited from tourism revealed that 59 percent of them got opportunities to do business while 25 percent got the job. Likewise, eight percent of them got opportunity to earn from trekking while the same percentage got chance to get involved in hotel construction works. It shows how the potentiality of tourism could be high in a small place like Nagarkot.

Figure 6.5: Distribution of households in Nagarkot

Like 1995 survey, the 2005 survey of local people also indicated that the local people were benefited from tourism in many ways. The discussion with the local people revealed that their land value increased several times, almost double at the end of every three to five years¹. The increase in land value may be attributed to increase in hotels and restaurants. The growth of tourism in Nagarkot increased business activities leading to an increase in employment of local people in the hotels and restaurants. Among others, the following are the benefits of tourism to the local people:

-) Increase in the price of land.
-) Improvement in housing.
-) Increase in employment opportunities in hotels and restaurants.
-) Increase in rental value of land and building.
-) Increase in the production and supply of local goods and services.
-) Increase in business opportunities.
-) Improvement in infrastructure facilities such as water, electricity, roads, etc.
-) Opportunities to learn new things or ideas from the tourists.
-) Increase in awareness for children education.
-) Improvement in life styles.
-) Improvement in overall living standards.

¹ The market value of land in proper Nagarkot was about US \$5,000 per ropani (i.e., 5476 sq. ft.) in 1995.

Thus with the increase in the tourists visiting Nagarkot, the local people were benefited in several ways, ranging from increase in the price of land to investment in infrastructure activities like water, electricity, telephones, and roads and to improved living standards. The tourism in Nagarkot has brought many changes in the lives of local people as the tourism has increased their income and employment. The local people were of the opinion that the promotion of tourism led to promote a number of industries. First and foremost being the hotel industry, followed by fruit farming, poultry, livestock farming, fish farming, rice mills, oil mills, curds, etc. During the survey, one of the questions asked to the respondents relates to the kind of impact they noticed with the increase in the number of tourists visiting Nagarkot. The selected positive impacts along with the negative impacts of tourism in Nagarkot in 2005 over 1995 can be seen from Table 6.6:

The enlargement of market and increase in production and creation of the opportunity for the local people were noticed to be the most important two positive impacts as revealed by 1995 and 2005 surveys. These two impacts received first two ranks in both of the surveys. The local people agreed that tourism brought good market and opportunities for them.

(b) Negative impact of tourism

The 2005 survey of local people revealed that there had been no significant decline in negative impact of tourism as such even after the lapse of ten years when the

1995 survey local people was carried out. The major complaints against tourism were noticed to be almost the same as they were noticed during 1995 survey, such as, the increase in price level, increase in fashion, solid waste management problem, and sanitation problem. Children generally swarm the tourists either with the intention of begging money or watching their activities. Local people specially the children and teenagers generally learn quickly the bad habits such as smoking. With the increase in the tourist activities, life is becoming more and more unsafe. Traditional culture began to erode slowly and steadily and people became more materialistic than ever before.

The selected negative impacts of tourism in Nagarkot in 2005 over 1995 can be seen from the same Table 6.6.

Table 6.6: Positive and negative impacts of tourism as viewed by local people

Particulars	Total Response	Weighted value	Mean value	Overall rank
<u>1995 survey results</u>				
1. Nagarkot has gone more dirty	60	188	3.13	3
2. There has been an increasing deforestation	60	212	3.53	4
3. Adverse effect on the life of the people	60	390	6.50	7
4. Price rise	60	269	4.48	5
5. Local people have become more selfish	60	329	5.48	6
6. Creation of the opportunity for the local people	60	158	2.63	2
7. Enlargement of market and increase in production	60	125	2.08	1
<u>2005 survey results</u>				
1. Nagarkot has gone more dirty	60	201	3.35	3
2. There has been an increasing	60	355	5.92	7

deforestation				
3. Adverse effect on the life of the people	60	330	5.50	6
4. Price rise	60	215	3.58	4
5. Local people have become more selfish	60	273	4.55	5
6. Creation of the opportunity for the local people	60	121	2.02	1
7. Enlargement of market and increase in production	60	159	2.65	2

Source: *The Field Survey, 1995 & 2005*.

The interesting point to note is that the respondents of the both surveys assigned third rank to 'Nagarkot has gone more dirty.' The price rise has been recognized as the fourth important impact during 2005 survey, which received the fifth impact during 1995 survey. Likewise, deforestation was the fourth important impact of tourism in 1995 survey but it was revealed to be not at all important during 2005 survey as it received the last or seventh rank. The adverse effect on the life of the people received last or seventh rank during the 1995 survey, while the same received sixth rank during the 2005 survey.

The comparison of positive and negative impacts revealed that tourism has brought more of the good impacts to the local people of Nagarkot than the bad impacts.

(c) Sources of income

Agriculture is still a major source of income to local people. The 1995 survey of local people indicated that about 59 percent of respondents earned their livelihood from agriculture, 18 percent from service, 12 percent from business, and 11 percent from other occupation as the main source of their income (Table 6.7).

Table 6.7: Major income sources of local people of Nagarkot

Source	1995 (% of respondents)	2005 (% of respondents)
Agriculture	59	48
Service	18	21
Business	12	23
Others	11	8
Total	100	100

Source: *The Field Survey, 1995 & 2005.*

The 2005 survey of local people showed some shifts in the major income sources of Nagarkot people over the 1995 survey of local people. There had been a decline in incomes from agriculture and other sources, whereas there has been an increase in income from service and business sources. The trend shows that local people were moving away from agriculture to enter into service and business sectors. The shift is particularly significant in business sector. Over a period of time of ten years, there had been a decline in agriculture land and increase in the number of residential houses in Nagarkot.

The 1995 survey of people revealed that the average annual income of a household was \$651 from agriculture, \$694 from service, and \$1,298 from business. The 2005 survey showed that the average annual income was \$1,534 from agriculture, \$992 from the service, \$3,185 from business, and \$1,408 from other sources. The average annual income increased for all the sources over a period of ten years. The increase had been highest for business (145 percent), followed by agriculture (136 percent), and service (43 percent).

Tourism has an important role to play in the economic upliftment of local people. They would get the opportunities to sell their goods and services to the hotels, restaurants, and tourists at a reasonable price. They would thus be able to save their time that could be utilized for some other productive works and increase their income. This trend is likely to continue in future too and hence it seems that the further development of tourism is likely to raise economic well being of the local people.

(d) Sanitation and solid waste problems

The tourism requires that the tourist area is environmentally safe, healthy and congenial to tourists' health. The surrounding area is neat and clean and free from different types of pollution. Thus, tourism is quite often linked to environmental problems. The tourism becomes quite difficult if there are environmental problems. Keeping these things in view, the attempts were made to assess the status of sanitation, and solid waste generation, collection and disposal in Nagarkot.

One of the important considerations in strengthening local environment relates to the quality of sanitation in that area. One of the important segments of people's survey in Nagarkot comprised of questions concerning sanitation. In this connection, the condition of toilets was given an important consideration in the survey of people in Nagarkot. Table 6.8 reveals the condition of toilets used by people of Nagarkot in 1995 and 2005 surveys.

In a tourist place like Nagarkot, there were mainly five different types of toilets used by the people. The 1995 survey revealed that about 67 percent of local people did not have their own toilets. They either used outdoors or used neighbors. The great majority of them were found to have used outdoors. The 1995 survey revealed that the local people using the latrine facilities were only about 25 percent, while the local people using cistern flush and pour flush toilets were observed to be 3 percent and 5 percent respectively. Thus, the majority of local people did not have good toilet facilities. However, the 2005 survey revealed some improvement over the situation. The local people using outdoor and neighbor declined from 67 percent in 1995 to 58 percent in 2005. The people-using cistern flush toilets and pour flush toilets increased from 3 and 5 percent in 1995 to 17 percent and 8 percent respectively in 2005. Though there had not been remarkable improvement in overall situation, yet there are improvements taking place contributing to enhanced local environment.

Table 6.8: Responses of local people on toilet facilities in Nagarkot

Types of toilet	1995 survey (%)	2005 survey (%)
Cistern Flush Toilet	3	17
Pour Flush Toilet	5	8
Latrine	25	17
Use Neighbor	5	3
Use Outdoor	62	55
Total	100	100

Source: *The Field Survey, 1995 & 2005.*

The 1995 survey indicated that one-third of the local people owning their toilets had a septic tank. The rest did not have a septic tank. About 60 percent of septic tanks used to overflow and only a half of them had the overflow drain. The size of

septic tank was noticed to be quite small. The average size of septic tank was measured to be only 146 cubic feet, where the smallest being about 100 cubic feet, and the largest being about 490 cubic feet. And 76 percent of septic tanks used to have just one compartment only. About 12 percent used to have two compartments and the equal number used to have three compartments. As far as the bottom of septic tanks is concerned, 75 percent of them had open bottom, while only 25 percent had a slab bottom. Similarly, 50 percent of septic tanks were made of concrete, while 25 percent each were made of bricks, and stones respectively. It is noticed that local people had very poor toilet facilities in 1995.

The 2005 survey revealed that about 90 percent of the people owning their toilets had a septic tank. Only 10 percent of the people did not have septic tank to their toilets. As regards overflow of septic tanks, only about 20 percent of septic tanks used to overflow, and again one-half of them had the overflow drain. It revealed that there were good improvements in the quality of septic tanks used by the local people over a period of ten years (Table 6.9).

The 2005 survey showed the marked improvement in the size of septic tanks over the 1995 survey. The average size of septic tank was measured to be 282 cubic feet in 2005, which was the double the average size of septic tank in 1995. The smallest size was measured to be about 120 cubic feet, while the largest size was measured to be 2400 cubic feet. They were again bigger as compared to that in 1995. The smallest size was bigger by about 1.2 times while the largest size was bigger by about 4.9 times in 2005 over 1995. Similarly, 41 percent of septic tanks had one

compartment, an equal percentage of septic tanks had two compartments, 14 percent of septic tanks had three compartments, and about 4 percent of them had four compartments. As far as the bottom of septic tanks is concerned, the 2005 survey revealed that 30 percent of them had open bottom, 37 percent had a slab bottom, and 33 percent had bricks and aggregates.

As regards the construction of septic tanks, about 50 percent of them were made of stones, while 46 percent were made of bricks, and about 4 percent of them were made of concrete. It indicates that there were a decline in septic tanks made of concrete, which may be due to local conditions and practice.

Table 6.9: Condition of toilets in Nagarkot: The survey of households

Types of toilet	1995 survey	2005 survey
<i>Do you have a septic tank?</i>	(% of respondents)	(% of respondents)
Yes	33	90.63
No	67	9.38
Total	100	100.00
<i>Is there an overflow in your septic tank?</i>	(% of respondents)	(% of respondents)
Yes	60	20.69
No	40	79.31
Total	100	100.00
<i>Is there an overflow drain?</i>	(% of respondents)	(% of respondents)
Yes	50	48.48
No	50	51.52
Total	100	100.00
<i>Average size of septic tank?</i>		
Area, cubic feet	146	281.85
<i>Smallest size?</i>		
Area, cubic feet	100	120
<i>Largest size?</i>		
Area, cubic feet	490	2400
<i>Number of compartments?</i>	(% of respondents)	(% of respondents)
One	76	41.38
Two	12	41.38
Three	12	13.79
Four	0	3.45
	100.00	100.00
Bottom of septic tank?	(% of respondents)	(% of respondents)

Slab	25	36.67
Brick, aggregates etc	0	33.33
Open	75	30.00
Total	100	100
Septic tanks made of?	(% of respondents)	(% of respondents)
Stones	25	50.00
Bricks	25	46.15
Concrete	50	3.85
Total	100.00	100.00

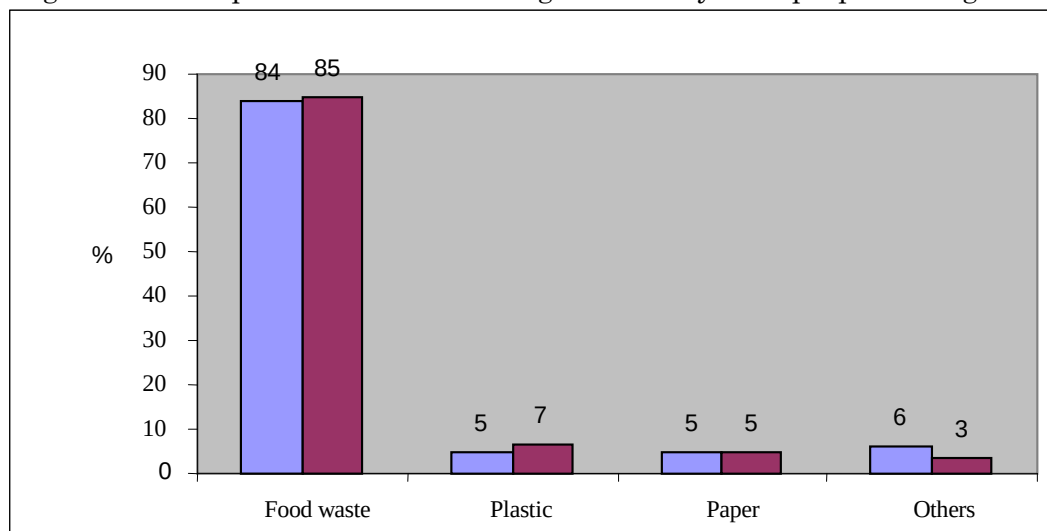
Source: *The Field Survey, 1995 & 2005.*

Though there has been an improvement in quality of toilet conditions over a period of ten years, there is still a need to encourage more people to undertake improvement of their toilet conditions.

(e) Solid waste collection and disposal

As in other tourist centers, there is also a problem of solid waste collection and disposal in Nagarkot. The 1995 survey revealed that a household, on an average, generated solid waste of 4 kg per day or 839.5 metric tons per annum in Nagarkot as a whole. The composition of solid waste can be seen from Figure 6.6: Clearly, solid waste in Nagarkot used to compose mainly of 84 percent of food waste, 5 percent of plastic wastes, and an equal percentage of paper wastes, and 6 percent of other wastes.

Figure 6.6: Composition of solid waste generated by local people in Nagarkot



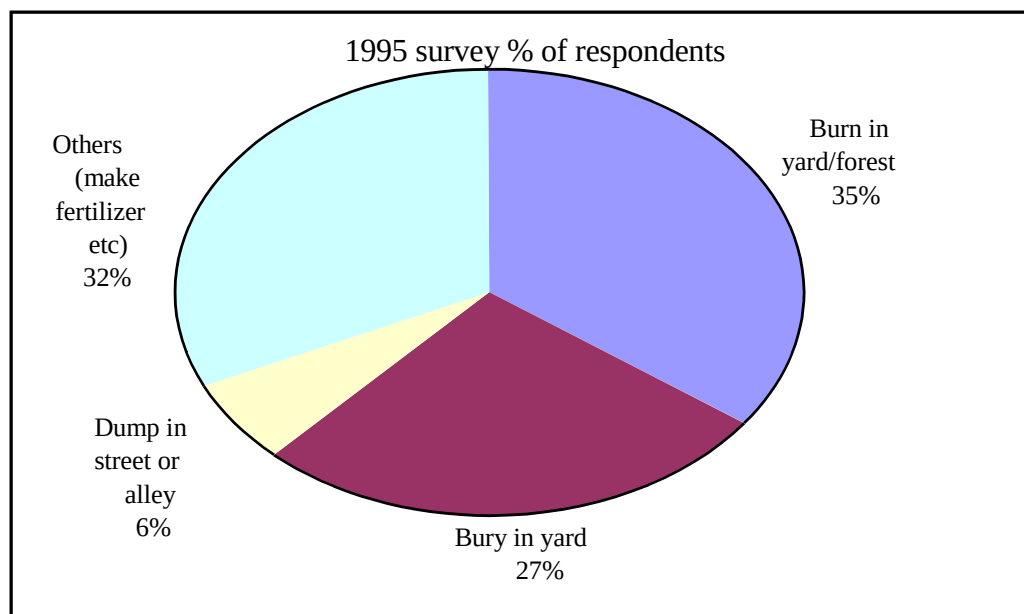
Source: *The Field Survey, 1995 & 2005.*

The 2005 survey of people revealed that average solid waste generated by a household was about 2.9 kg per day, which was lower than that of 1995 survey results. The 2005 survey also revealed that there had been no major change in composition of solid wastes over a period of ten years. For example, the 2005 survey showed that food waste consisted of 85 percent, plastic waste of 5 percent, paper waste of 5 percent, and 3 percent of other wastes, which were very similar to the results of 1995 survey.

Presently there is no system of any kind for handling solid waste collection and disposal. The households used to dispose the solid waste in 1995 as indicated in Figure 6.7. Clearly, 35 percent of the people used to dispose the sold wastes by burning them in yard/forest, 27 percent used to bury them in yard, 6 percent used to dump in the street or alley, and the rest 32 percent used other methods of disposing solid wastes. Others included the disposal of solid waste on the road, river, and forest. Disposal on the road is a very common practice. Besides, solid

wastes were also disposed in one's own house, and farms. Food wastes were used for cattle feeding as well.

Figure 6.7: Solid waste disposal by local people of Nagarkot in 1995

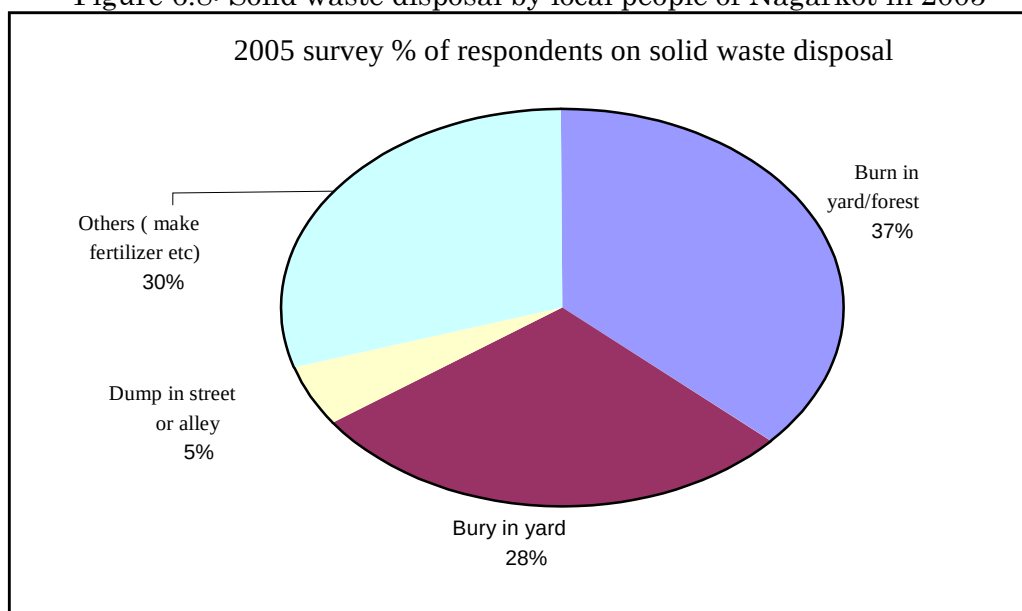


Source: *The Field Survey, 1995.*

The 2005 survey of people on solid waste disposal had not revealed any significant change even after the lapse of ten years (Figure 6.8). The survey revealed that 37 percent of respondents used to dispose solid wastes by burning them in the yard/forest, 28 percent used to bury them in yard, 5 percent of them used to dump in the street or alley, and 30 percent used other methods to dispose solid wastes. The solid waste management is very poor in a tourist place like Nagarkot. There is

an urgent need to come up some kind of solid waste management system.

Figure 6.8: Solid waste disposal by local people of Nagarkot in 2005



Source: *The Field Survey, 2005.*

Almost all the respondents felt that there should be some kind of system established for garbage pickup and disposal. As a short-term measure, this task could be entrusted to the Nagarkot Village Development Committee. The

households would be willing to pay on monthly basis if a proper system for solid waste collection and disposal would be established. The amount they were willing to pay is provided in Table 6.10.

Table 6.10: Willingness to pay by the people for solid waste management in Nagarkot

Rupees Per Month	1995 survey % of respondents	1995 survey % of respondents
0 – 40	28	12
40 – 80	40	43
80 – 160	19	23
160 - 320	7	13
320 or More	7	8
Total	100	100

Source: *The Field Survey, 1995 & 2005.*

Note: US\$1 is equivalent to about Rs.50.00 in 1995, and about Rs.71 in 2005 approximately.

The 1995 survey revealed that the local people would be willing to pay, on an average, Rs. 102 per month. The 2005 survey revealed an increase in the average amount to the tune of Rs. 129 per month.

6.5 Survey of Hotels/lodges

Nagarkot was not accessible by road until the completion of road from Bhaktapur to Nagarkot in 1969. When this road was completed, the number of tourists

visiting Nagarkot increased continuously. With the increase in the number of tourists visiting Nagarkot, the number of hotels and lodges has also grown significantly. The total number of hotels and lodges in Nagarkot were 7 in 1984, 9 in 1988, 11 in 1990, and 14 in 1993. When the survey of hotels and lodges were carried out in 1995, there were 18 hotels and lodges, which increased to 38 in 2005 (DDC, Bhaktapur: (Ashadh 2062). Thus the total number of hotels and lodges increased by about 111 percent in 2005 as compared to 1995. The hotels and lodges had been coming up every year. However, the growth in hotels and lodges in Nagarkot had not been the result of deliberate planning efforts.

The surveys of the local hotels and lodges were carried out in 1995 and 2005. The 1995 survey of hotels and lodges covered 17 out of 18 total hotels and lodges while the 2005 survey covered 30 out of 38 total hotels and lodges in Nagarkot. Though 38 hotels were reported in Nagarkot, it was found that only 30 hotels and lodges were in operation at the time of executing this survey. The list of the hotels covered in 2005 survey is provided in Appendix 6.3. The location of hotels/lodges in 2005 are presented in Figure 6.9.

(a) Respondents' profile

The 1995 survey of hotels and lodges revealed that 11 out of 17 hotels and lodges were operated in respondents' own premises while five were operated on rented premises. The 16 hotels and lodges were owned and operated in the private sector while one hotel was owned and operated in the public sector. The hotels and lodges,

which were operated in rented premises were, on an average, paying the rent at the rate of US\$400 per month.

Similarly the 2005 survey of hotels and lodges showed that 26 out of 30 hotels were operated in their own premises while only four were found to have operated on rented premises. There was one hotel being operated at the public sector. The rented hotels have been paying rent at the rate of US\$470 per month, the increase being about 17 percent in 2005 over 1995.

(b) Income, employment and capital outlay

Income: The growth and development of tourism industry may be seen in terms of growth and development of hotel industry too. The growth and development of hotel industry may be seen in terms of earnings generated by them over a period of time. Table 6.11 shows the income generated by the hotels and lodges in Nagarkot in 1995 and 2005.

Table 6.11: Income Generation by Hotels in Nagarkot in 1995 and 2005

Annual Income US\$	1995 survey		2005 survey	
	Number of Hotels	%	Number of Hotels	%
Below \$73,000	12	71	11	37
\$73,000 - \$146,000	4	24	13	43
Above \$146,000	1	6	6	20
Total	17	100	30	100

Source: *The Field Survey, 1995 & 2005*.

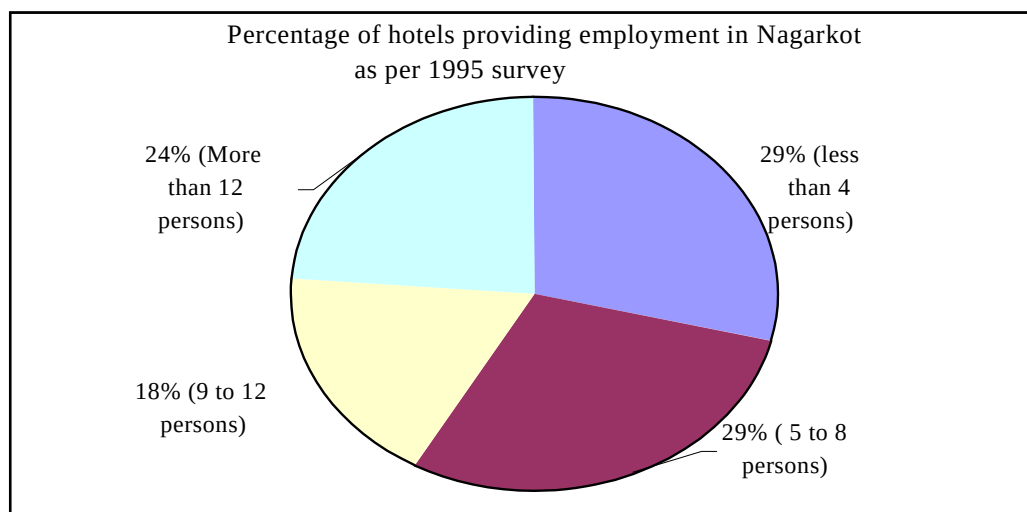
The 1995 survey revealed that 71 percent of hotels had annual income of below \$73,000, 24 percent had an annual income ranging from \$73,000 to \$146,000, and only 6 percent had an annual income of more than \$146,000. The 2005 survey revealed that 37 percent of hotels had annual income of below \$73,000, 43 percent had an annual income ranging from \$73,000 to \$146,000, and 20 percent had an annual income of more than \$146,000. The average annual income of hotels had increased from \$62,265 in 1995 to \$97,333 in 2005. Thus there were a marked increase in the income of the hotels in Nagarkot in 2005 over 1995. The increase in earnings of the hotels over time can be considered as a positive contribution towards the growth and development of tourism in Nagarkot.

(c) Employment

The growth and development of tourism in Nagarkot can be seen from the employment opportunities generated by the hotels and lodges. Figure 6.10 shows the number of persons employed by the hotels.

Figure 6.9: Distribution of hotels/lodges in Nagarkot (1995 and 2005)

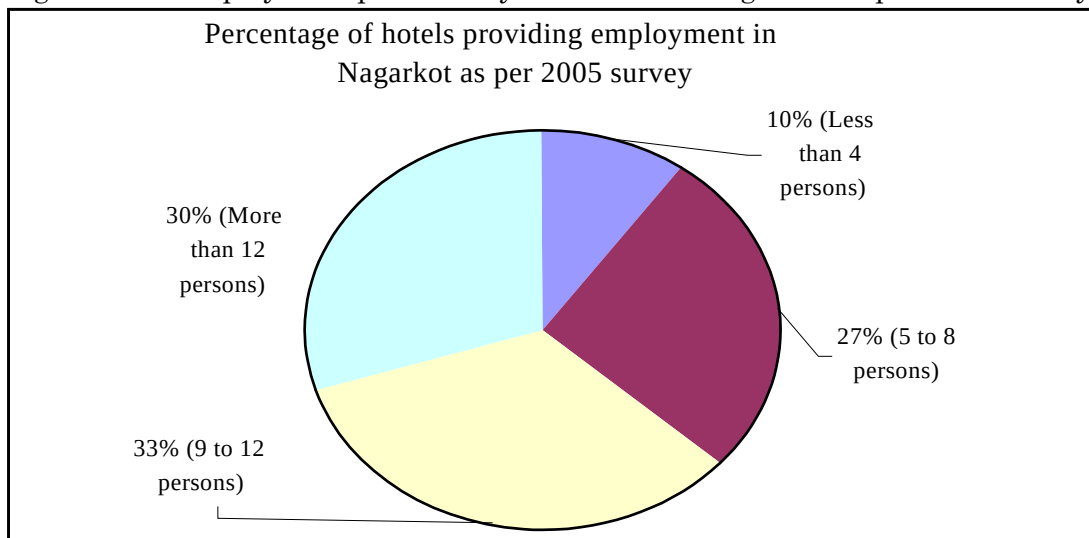
Figure 6.10: Employment provided by the hotels in Nagarkot as per 1995 Survey



Source: *The Field Survey, 1995.*

The 1995 survey revealed that there were 29 percent of hotels providing employment to four persons or less, an equal number of hotels providing employment to 5 to 8 persons, 18 percent providing employment to 9 to 12 persons, and 24 percent providing employment to more than 12 persons. It gives the impression that the hotels in Nagarkot were of small sizes in 1995. In order to determine whether there were any improvements in employment provided by the hotels over a period of time, the 2005 survey also included a survey of employment provided by the hotels in Nagarkot and the results are presented in Figure 6.11.

Figure 6.11: Employment provided by the hotels in Nagarkot as per 2005 survey



Source: *The Field Survey, 2005*.

The 2005 survey indicated some important shifts in employment provided by the hotels in Nagarkot. The survey revealed that there were 10 percent of hotels providing employment to four persons or less, 27 percent of hotels providing employment to 5 to 8 persons, 33 percent providing employment to 9 to 12 persons, and 30 percent providing employment to more than 12 persons. Thus the number of hotels providing employment to '9 to 12 persons' and 'more than 12 persons' increased over a period of ten years time period.

The next aspect of the study was devoted to assessing the relation between the number of persons employed by the hotels and their salary bills. The salary bill of the hotels in Nagarkot as revealed by the 1995 survey and the 2005 survey is presented in 6.12.

Table 6.12: Salary Bill of Hotels in Nagarkot

Annual salary bill	1995 survey Percentage	2005 survey Percentage
Below US\$2400	53	40
\$2400 - \$4800	24	20
\$4800 - \$7200	18	27
Above \$7200	6	13
Total	100	100

Source: *The Field Survey, 1995 & 2005.*

Clearly there were improvements in salary level of persons employed by hotels in Nagarkot in 2005. The percentage of hotels providing higher salaries increased in 2005 over 1995. As a result, the average annual salary, which was observed to be \$3,106 in 1995 increased to \$4,080 in 2005. The increase in employment provided by the hotels in Nagarkot led to an increase in salary bills of the hotels too. Though there were an increase in employment and salary bills of

hotels, the discussion with hotel executives revealed that there was no manpower planning as such for the future.

(d) Capital outlay

One of the important indicators of growth and development of tourism industry is the investment in hotels and lodges. In theory, with the increase in the number of tourists, the capital investment in hotels and lodges should increase leading to the growth and development of hotels and lodges. The idea about the growth of tourism in Nagarkot can be had from the increase in capital outlay in hotels and lodges in Nagarkot. This section intends to determine the following:

-) What was the structure of initial capital outlay in hotels and lodges when they were first established?
-) What was the structure of capital outlay at present (or at the time of making the survey)?
-) Has there been any change in the structure of capital outlay by these hotels and lodges over a period of time?

The analysis of capital outlay also shows the size of the hotels and lodges. The increase in the capital outlay over a period of time shows that the size of hotels and lodges has increased. Table 6.13 shows the number of hotels showing their initial capital outlay, capital outlay at present, and change in capital over a period of time in Nagarkot

Table 6.13: Number of hotels showing their capital outlay in Nagarkot

Capital	Initial capital outlay		Capital outlay at present		Change in capital outlay
	No. of hotels	%	No. of hotels	%	% change
Below Rs. 2 million	8	27	5	17	(0.38)
Rs.2 million - Rs.4 million	6	20	2	7	(0.67)
Rs.4 million - Rs.6 million	7	23	3	10	(0.57)
Rs.6 million - Rs.8 million	4	13	3	10	(0.25)
Rs.8 million - Rs.10 million	3	10	7	23	1.33
Above Rs.10 million	2	7	10	33	4.00
Total	30	100	30	100	3.47

Source: *The Field Survey, 2005.*

The 2005 survey revealed that the majority of hotels (27 percent) had initial capital outlay of less than Rs. 2 million, while 20 percent had initial capital outlay of Rs. 2 million to Rs. 4 million. Similarly, 23 percent of hotels had initial capital outlay of Rs. 4 million to Rs. 6 million, 13 percent had Rs. 6 million to Rs. 8 million, 10 percent had Rs. 6 million to Rs. 8 million, and 7 percent had more than Rs. 10 million. The average initial capital outlay turned out to be Rs. 2.6 million.

The structure of present capital outlay of hotels in Nagarkot changed dramatically over a period of time. The majority of hotels (33 percent) had capital outlay of more

than Rs. 10 million while only 17 percent of them had capital outlay of less than Rs. 2 million. Similarly the number of hotels with a present capital outlay of Rs. 2 million to Rs. 4 million turned out to be only 7 percent. The ten percent of hotels had capital outlay of Rs. Rs. 4 million to Rs. 6 million, and equal percentage had Rs. 6 million to Rs. 8 million Twenty three percent of hotels had present capital outlay of Rs. 8 million to Rs. 10 million. It shows that the majority of hotels increased their capital outlay in Nagarkot. The average capital outlay at present turned out to be Rs. 4.5 million, the increase being 74 percent. It reveals that the number of small sized hotels decreased while the number of large sized hotels increased over a period of time. Therefore, there had been a significant change in the structure of capital outlay over time. The increase in the number of big hotels indicated the growth and development of tourism in Nagarkot. If tourism were not a profitable business, there would not have been an increase in the number of big hotels.

(e) Seasonal tourist flows in hotels/lodges

The growth and development of tourism industry requires a good deal of tourist flow in all the seasons. Generally, the seasonality is the important problem in tourism industry. In Nagarkot also, there is a good deal of seasonality in tourism flow in the local hotels/ lodges as is evident from Table 6.14.

Table 6.14: Number of hotels showing the number of tourists received by them during peak, normal and off seasons in Nagarkot in 2005

No. of tourists Per day	Peak season		Normal season		Off season	
	No. of hotels/lod ges	%	No. of hotels/lod ges	%	No. of hotels/lod ges	%
< 10 tourists	6	20	23	77	26	87
10 - 20 tourists	14	47	4	13	3	10
> 20 tourists	10	33	3	10	1	3
Total	30	100	30	100	30	100

Source: *The Field Survey, 2005.*

The 2005 survey revealed that during the peak season, 47 percent of hotels/lodges had, on an average, 10 to 20 tourists per day, 33 percent had more than 20 tourists per day, and 20 percent had less than 10 tourists per day. The distribution changes greatly during the normal and off-seasons. During the normal season, the majority of the hotels/lodges (77 percent) had less than 10 tourists per day, 13 percent had 10 to 20 tourists per day, and the rest 10 percent had more than 20 tourists per day. Similarly, during the off season, the majority of the hotels/lodges (87 percent) had less than 10 tourists per day, 10 percent had 10 to 20 tourists per day, and three percent had more than 20 tourists per day. Thus tourism flow in local hotels/lodges in Nagarkot is affected greatly by seasonality. The number of tourists in hotels and lodges varies widely from one season to another. However, this kind of seasonality was much more in 1995 as compared to 2005 as revealed by Table 6.15.

Table 6.15: Average number of tourists per day during peak, normal and off seasons during 1995 and 2005 surveys

Season	1995 survey	2005 survey	% change
	Average number of tourists per day	Average number of tourists per day	
Peak season	15	17	13
Normal season	6	9	50
Off season	4	7	75

Source: *The Field Survey, 1995 & 2005.*

The 1995 survey revealed that the average number of tourists received by the hotels were observed to be 15 persons per day during the peak season, which decreased to 6 persons per day during the normal season, and to 4 persons per day during the off season. This situation changed to some extent during 2005. The 2005 survey revealed that the average number of tourists received by the hotels were observed to be 17 persons per day during the peak season, nine persons per day during the normal season, and seven persons per day during the off season. Thus the average number of tourists per day received by hotels increased by 13 percent during the peak season, 50 percent during the normal season, and 75 percent during the off season in 2005 over 1995. Thus the seasonality in tourism in Nagarkot had decreased to some extent.

(f) Duration of stay

The duration of stay by tourists is another important factor to be considered in tourism development. The average duration of stay as revealed by the 2005 survey can be seen from Table 6.16.

Table 6.16: Average duration of stay by tourists in Nagarkot

Nights	No. of hotels	Percentage
One night	17	57
Two nights	10	33
Three nights	2	7
> Four nights	1	3
Total	30	100

Source: *The Field Survey, 2005*.

The 2005 survey of hotels indicated that the majority of hotels/lodges (57 percent) had tourists staying one night, followed by 33 percent for two nights of stay, seven

percent for three nights and only three percent for more than four nights of stay by tourists. The average duration of stay was 1.6 days in 2005, which was just one day in 1995. Though the average duration of stay by tourists increased in 2005 over 1995, it is still quite short. It may be attributed mainly to the lack of activities for the tourists in Nagarkot.

(g) Room charges

The 2005 survey showed that 40 percent of hotels/lodges had single bed room charges of less than Rs.500, 20 percent had Rs.500 to Rs.1000, 10 percent had Rs.1000 to Rs.1500, 17 percent had Rs.1500 to Rs.2000, and 20 percent had more than Rs.2000. As regards the double bed room charges, 20 percent of hotels/lodges had double bed room charges of more than Rs.500, 10 percent had Rs.500 to Rs.1000, 20 percent had Rs.1000 to Rs.1500, 23 percent had Rs.1500 to Rs.2000, and 13 percent had above Rs.2000 charges (Table 6.17). The average room charges were Rs.967 and Rs.1384 respectively for single and double bed rooms. The maximum room charges were Rs. 4,615 or US\$65 for single bedroom and Rs. 5,680 or \$80 for double bedrooms.

Table 6.17: Room charges for tourists in hotels of Nagarkot

No. of tourists	Single bed room charge		Double bed room charge	
	No. of hotels	Percentage	No. of hotels	Percentage
< Rs. 500	12	40	6	20
Rs.500 - Rs.1000	6	20	3	10
Rs.1000 - Rs.1500	3	10	6	20
Rs.1500 - Rs.2000	5	17	7	23
> Rs.2000	4	13	8	27
Total	30	100	30	100

Source: *The Field Survey, 2005*.

The 1995 survey showed that the average room charges of the hotels were Rs. 1000 and Rs. 1500 respectively for single bed and double bed rooms. When compared these rates with the rates of 2005, there had been some decline in these rates in 2005 over 1995. The decline in room charges can be attributed to increased competition and disturbance to nationwide tourism industry due to insurgency problem in the country.

(h) Number of rooms and beds

In Nagarkot, the 1995 survey of hotels/lodges showed that there were 183 rooms and 376 beds in total. Thus, average number of rooms per hotel/lodge was 11, while the average number of beds per hotel/lodge was 22. About 65 percent of the hotels were of the opinion that hotels were sufficient in Nagarkot while the rest, 35 percent opined that they were not sufficient.

The 2005 survey revealed that there were 482 rooms and 2008 beds, the percentage increase being 163 percent and 434 percent respectively in 2005 over 1995. As per the 2005 survey, the average number of rooms per hotel/lodge was observed to be 16 rooms while the average number of beds per hotel/lodge was observed to be 66 beds. Thus the average number of rooms increased by about 46 percent, while the average number of beds increased by about 200 percent in 2005 over 1995. The increase in the number of rooms and beds in hotels/lodges revealed

increasing tourism in Nagarkot.

As regards the sufficiency of the hotels and lodges in Nagarkot, 93 percent of hotels were of the opinion that they were sufficient, and there were none, who opined that hotels were insufficient. Only seven percent of hotels could not decide whether they were sufficient or not.

As regards average spending of the tourists, the 1995 survey showed that tourists, on an average, spend \$11 per night, which were noticed to be \$26 as per 2005 survey, the increase being 136 percent. It is surprising to note that these figures were quite low when compared to the figures of tourist survey. This kind of understated figure can be attributed to reporting lower income by the hotels/lodges for the fear of paying higher taxes.

(i) Procurement of daily necessities

The 1995 survey revealed that the daily necessities required for the hotels were procured mainly from the local market or from Bhaktapur, and Kathmandu. About 53 percent of their daily necessities were procured from Bhaktapur market, while about 29 percent of them were procured from Kathmandu. It means that only 18 percent of daily necessities were procured from the local market in Nagarkot. However the situation changed greatly in 2005. The 2005 survey showed that the percentage of local procurement in Nagarkot increased to 52 percent, while the daily necessities procured from Bhaktapur reduced to 12

percent. The daily necessities procured from Kathmandu turned out to be 36 percent. Thus the procurement of daily necessities from the local market by the hotels/lodges increased significantly in 2005 over 1995.

(j) Business conditions

The 1995 survey of hotels/lodges revealed that the business condition of the majority of Nagarkot hotels/lodges were good, while the 2005 survey revealed that their business conditions were not good. However both the surveys showed that the great majority of hotels/lodges (over 90 percent) indicated that they were planning to increase their business in Nagarkot. Both surveys revealed that there were no hotels/lodges, which wanted to abandon the current hotel business. As regards the main reason for choosing Nagarkot for the hotel business according to the 1995 survey was that 'many tourists visit Nagarkot' (53 percent), followed by the 'better prospect of tourism in Nagarkot' (29 percent), and 'because of their home town' (18 percent). In other words, only 29 percent could see a better prospect of tourism in Nagarkot in 1995. However, the 2005 survey of hotels/lodges revealed an increase in this percentage to the extent of 60 percent indicating that a better prospect of tourism industry in Nagarkot increased over a period of time.

(k) Tourism infrastructure

The hotels/lodges were also asked to evaluate the fifteen infrastructure facilities

on a five-point scale where the value of ‘one’ is to be assigned for the most excellent facility and the value of ‘five’ is to be assigned for the very poor facility.

Median values were computed in order to rank the condition of infrastructure facility in Nagarkot. Lower values of median indicate that the facility is excellent and higher values indicate that the facility is very poor. In the cases, where identical median values were obtained, quartile values were computed. Lower quartile values indicate lesser dispersal in the responses and hence the facility is good. On the other hand, higher quartile values indicate greater dispersal in the responses and hence the facility is bad. The 1995 and 2005 surveys produced the results as presented in Table 6.18.

According to the 1995 survey, the eight infrastructure facilities that were considered poor by the hotels were sanitation, toilet facilities, security, street lighting, septage collection/disposal, drainage, road condition to Nagarkot, and cleanliness of the place. Similarly, the seven infrastructure facilities that were considered good were behavior of people, hotel facilities, electricity facilities, water supply, tourist guides, communication facilities, and trekking facilities.

Table 6.18: Evaluation of tourism infrastructure by hotels/lodges in Nagarkot

Items	1995 Survey		2005 Survey	
	Mean value	Overall rank	Mean value	Overall rank
Cleanliness of the place	2.19	8	2.93	9
Road condition to Nagarkot	3.10	9	2.48	4
Behavior of local people	1.32	1	2.55	6
Electricity supply	1.50	3	2.66	7

Water supply	1. 66	4	3.62	10
Sanitation	4. 95	15	2.86	8
Septage collection/disposal	4. 43	11	4.28	13
Drainage	3. 40	10	4.17	12
Street lighting	4. 50	12	4.55	15
Toilet facilities	4. 92	14	3.83	11
Security	4. 92	13	4.31	14
Tourist guides	1.70	5	2.55	5
Hotel facilities	1. 47	2	1.55	1
Communication facilities	1.70	6	1.76	2
Trekking facilities	1. 73	7	2.17	3

Source: *The Field Survey, 1995 & 2005.*

The 2005 survey of hotels/lodges conducted in a way similar to 1995 produced different results. As per the 2005 survey, the first eight infrastructure facilities that were considered poor were street lighting, security, septage collection/disposal, drainage, toilet facilities, water supply, cleanliness of the place, and sanitation. Even after the lapse of ten years, there had been no significant improvement in seven out of eight poor tourism infrastructure facilities, such as, street lighting, security, septage collection/disposal, drainage, toilet facilities, cleanliness of the place, and sanitation. These facilities continued to be poor in 2005 as well. The facilities that were considered good during 2005 survey were: hotel facilities, communication facilities, trekking facilities, road condition to Nagarkot, tourist guides, behavior of the people and electricity supply. These results were not very different from the results of the 1995 survey.

The rating of different infrastructure facilities by hotels/lodges in 1995 and 2005 was comparable to that of the tourists as discussed in 6.2.2.

(l) Views of hotels/lodges on impact of tourism

During the survey, one of the questions asked to the respondents relates to the kind of change they noticed with the promotion of tourism in Nagarkot. The general impact of tourism in Nagarkot as revealed by 1995 and 2005 surveys can be seen from Table 6.19:

Table 6.19: General impact of tourism in Nagarkot as viewed by hoteliers

Statement	1995 survey		2005 survey	
	Mean value	Overall Rank	Mean value	Overall Rank
Nagarkot has gone more dirty.	1. 18	1	2.89	3
Increased deforestation.	3. 94	4	4. 12	5
Adverse effect on the life of the people.	6. 71	7	5. 18	6
Price rise.	4. 29	5	3. 38	4
Local people have become more selfish.	6. 24	6	6. 72	7
Creation of the opportunity for the local people	2. 41	3	2. 56	2
Enlargement of market & increase in production	1. 88	2	1. 46	1

Source: *The Field Survey*, 1995 & 2005.

As per the 1995 survey, the first and foremost impact as viewed by the hotels/lodges was that 'Nagarkot has gone more dirty' with the increase in tourists. The 'enlargement of market and increase in production' was the second in their overall rank. The third important impact of the tourism was the 'creation of the opportunity for the local people'. The other impacts in order of their importance were deforestation, price rise, and adverse effect on the life of the people. In general, the 1995 survey revealed that tourism brought more good to the people of

Nagarkot as viewed by the hotels/lodges.

The 2005 survey revealed that there had been some shifts as far as the general impact of tourism is concerned. According to this survey, the most important impact was ‘enlargement of the market and increase in local production’, followed by ‘creation of opportunity for the local people’, ‘Nagarkot has gone more dirty’, ‘price rise’, ‘increased deforestation’, ‘adverse effect on the life of the people’, and ‘local people have become more selfish’. The positive impacts of tourism in Nagarkot were ranked more important than negative impacts.

(m) Sanitation

One of the important infrastructures for tourism industry relates to sanitation conditions in hotels/lodges. These hotels/lodges do not have that sanitation problem as with the local people. As regards toilet facilities, the 2005 survey showed marked improvement over the 1995 survey as revealed by Table 6.20.

Table 6.20: Responses of Hoteliers on the Toilet Facilities in Nagarkot

Types of Toilet	1995 survey	2005 survey
Cistern Flush Toilet	53	100
Pour Flush Toilet	12	0
None, Use Outdoors	0	0

Latrine	35	0
None, Use Neighbors	0	0
Total	100	100

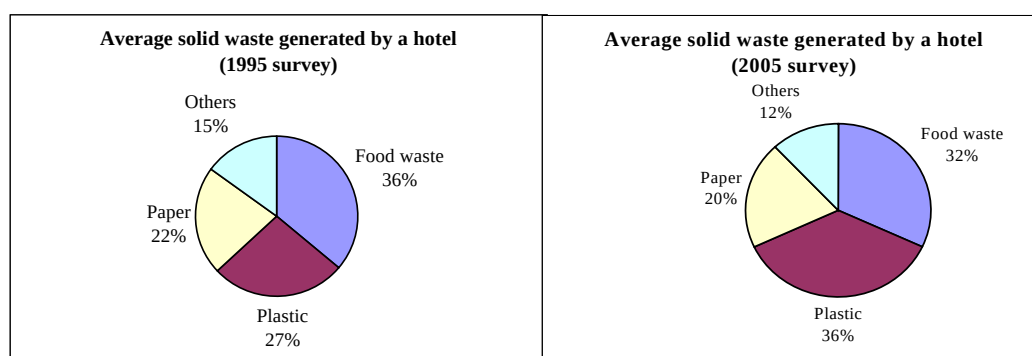
Source: *The Field Survey, 1995 & 2005.*

The 2005 survey of hotels/lodges indicated that all the hotels had septic tanks. About 10 percent of septic tanks still used to overflow as against 35 percent in 1995. About 90 percent of them had the overflow drain which were noticed to be about 67 percent in 1995. The 1995 survey showed that the average size of septic tank was measured to be 512 cubic feet while the 2005 survey revealed the same to be 960 cubic feet, leading to the increase in average size of the septic tank. Thus the toilet facility of the hotels/lodges had improved over a period of ten years.

(n) Solid waste collection and disposal

The 1995 survey indicated that a hotel/lodge, on an average, used to generate solid waste of 15 kg per day. The 2005 survey showed a marked difference in this regard with 58 kg per day. The difference in results can be seen more clearly from Figure 6.12.

Figure 6.12: Composition of sold waste generated by the hotels/lodges in Nagarkot



in 1995 and 2005

Source: *The Field Survey, 1995 & 2005.*

The 1995 survey showed that solid waste in hotels and lodges in Nagarkot composed of about 36 percent of food waste, 27 percent of plastic wastes, 22 percent of paper wastes, and 15 percent of wastes. The situation has changed greatly in 2005 where plastic wastes increased to 36 percent leading to a decline in other types of wastes. The increase in plastic wastes can not be regarded as a healthy sign for tourism development.

Thus the solid waste generated by hotels/lodges in Nagarkot increased over time but there is no proper system yet for their efficient collection and disposal. The hotels were disposing the solid waste as indicated in Table 6.21:

Table 6.21: Solid waste disposal by hotels in Nagarkot

Solid waste disposal methods	1995 survey	2005 survey
Bury in yard	46	65
Burn in yard	18	12
Dump in street or ally	18	8
Others	18	15
Total	100	100

Source: *The Field Survey, 1995 & 2005.*

The 1995 survey showed that about 46 percent of the hotels used to bury in yard, 18 percent used to burn in yard, and the other 18 percent used to dump in the street or ally. Yet another 18 percent used different methods, such as, disposal of solid waste on the road, river, and forest. The 2005 survey showed an increase in the percentage of hotels burying the solid waste in yard to the extent of 65 percent,

while the percentage of hotels using other methods declined. Almost all the hotels/lodges felt that there was a need for installing an efficient system of garbage pickup and control. The hotels/lodges were willing to pay on a monthly basis if a proper system for solid waste collection and disposal were established.

To sum up, most of the hotels/lodges in Nagarkot were smaller in size and there is still a need for improving tourism infrastructures, manpower planning, business plan, and solid waste collection and disposal.

6.6 Comparison of tourism at the macro and micro levels

This section contains the comparison of the study results on tourism carried out at macro and micro levels. The macro level study refers to the study results of the selected aspects of tourism at the national level as presented in Chapter 5, while the micro level study refers to the study results of the selected aspects of tourism in Nagarkot as presented earlier sections of this chapter.

Sex composition: The 2005 survey of tourists in Nagarkot revealed that 46 percent of the tourists were males and 54 percent were females. However, these findings contradicted with the male composition of 66.3 percent and female composition of 33.7 percent in 2004 at the national level. Thus tourism in Nagarkot contains more of the female tourists than the male tourists.

Nationalities: The comparison of tourists visiting Nagarkot in 2005 with the nation as a whole in 2004 by major nationalities revealed some important differences in tourist arrival patterns in Nagarkot. According to the 2005 survey of tourists in Nagarkot, 39 Europeans, 22 percent North Americans and 30 percent Asians formed the major arrivals classified by nationalities. However, at the national level, the major arrivals comprised of Asians 56.7 percent, Europeans 32.2 percent, and North Americans 6.6 percent. The comparison indicates that Nagarkot was not able to attract the Asian tourists much.

Number of hotels: In Nepal, there were altogether 39,107 hotels/lodges in 2004 inclusive of all kinds. Of these, there were 36 hotels/lodges in Nagarkot, representing 0.09 percent. Thus Nagarkot is very small in terms of hotels and lodges.

Average tourist expenditure per day: The 2005 survey of tourists in Nagarkot revealed that a tourist, on an average, spend US\$28.3 per day in 1995, which increased to US\$41.7 per day, leading to an increase by 1.47 times over a period of time. At the national level, these expenditure per day per tourist figures are, however, noticed to be US\$42.1 in 1995 and US\$45.1 in 2004, leading to an increase of 1.07 times over time. Though the expenditure per day per tourist for the tourists visiting Nagarkot is below the national level average both in 1995 and 2005, the gap between average spending in Nagarkot and Nepal as a whole narrowed down much more in 2005 over 1995.

Duration of stay: The 2005 survey of hotels and lodges revealed that the average

duration of stay by tourists in Nagarkot was observed to be 1.6 days. The national average length of stay by tourists was stated to be 13.5 days. Thus the length of stay by tourist visiting Nagarkot had been quite low as compared to national average length of stay.

Though Nagarkot is mainly popular in terms of tourism than in any other terms, tourism in Nagarkot cannot be compared with the national level tourism. The scenic mountain beauties, trekking opportunities, and peaceful environment of Nagarkot are so unique that they cannot be compared to other places of Nepal. At the moment, tourism in Nagarkot is at a lower level probably because its potentiality has not been recognized well. The locational advantage of Nagarkot has not been exploited to the fullest possible extent.

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Yet, there is no government operated transport system and the transportation system operated by the private sector is very poor and miserable. Hence, the tourism planning in Nagarkot should include a planning for good transportation system as well.

If tourism is planned in a proper way in Nagarkot, it may be possible to encourage more tourists for repeat visits. Hence, tourism planning is important in Nagarkot.

When asked what other places do they intend to visit after visiting Nagarkot, it was revealed that they would be visiting such places as Pokhara, Annapurna, Bhaktapur, Tibet border, India, Godavari, Langtang, Changu Narayan, Eastern Nepal, Daman, Gorkha, Nuwakot, Panauti, Dhulikhel, and so on. Hence it is obvious that tourists do not visit for Nagarkot alone. The tourists visit Nagarkot along with other places.

It indicates that there were not many activities for the tourists in 1995 and hence not much scope for tourists to spent in Nagarkot. However the situation has changed in 2005 creating more activities for tourists. With proper tourism planning, it may be possible to create more activities thus opening the new avenues for more spending by tourists.

This kind of result is not surprising in a place where there is no proper tourism planning. Some infrastructural facilities were good while others were poor. If tourism planning is to undertaken in a planned way, emphasis needs to be placed on balanced development of all the infrastructural facilities.

The distribution and collection of questionnaire of the survey conducted in 2005 may be seen from Table 6.6. The sample size is higher in certain wards because the tourism impact is greater in these wards as they are close to hotels.

The 1995 survey of people indicated that the average size of households in Nagarkot was observed to be 6.8 persons while the same has been noticed to be 6.0 persons in 2005. Though there has been a decline in the average family size, it is still on higher side as compared to the national average of 5.6 persons per household.

Table 6.6: Distribution and collection of questionnaire for

Ward No	No. of households	%
1	3	5
2	3	5
3	3	5
4	3	5
5	7	12
6	9	15
7	13	22
8	16	27
9	3	5
Total	60	100

the people survey in Nagarkot

The average male and female percentages were observed to be 48 and 52 respectively during 1995 survey while 2005 survey revealed that average male percentage increased to 48.8 leading to a decline in female percentage to 51.2 percent.

Despite of the above benefits, the negative impacts of tourism on the local people has not been reduced.

6.3.4 General Impact of Tourism

The local people were of the opinion that the promotion of tourism has led to promote a number of industries. First and foremost being the hotel industry followed by fruit farming, poultry, livestock farming, fish farming, rice mills, oil mills, curds, and so on.

During the survey, one of the questions asked to the respondents relates to the kind of impact they noticed with the increase in the number of tourists visiting Nagarkot. The general impact of tourism in Nagarkot in 2005 over 1995 may be seen from Table 6.8:

Table 6.8: General Impact of Tourism as Viewed by Local People

Particulars	Total response	Weighted value	Mean weight	Overall rank
<u>1995 survey results</u>				
1. Nagarkot has gone more dirty	60	188	3.13	3
2. There has been an increasing deforestation	60	212	3.53	4
3. Adverse effect on the life of the people	60	390	6.50	7
4. Price rise	60	269	4.48	5
5. Local people have become more selfish	60	329	5.48	6
6. Creation of the opportunity for the local people	60	158	2.63	2
7. Enlargement of market and increase in production	60	125	2.08	1
<u>2005 survey results</u>				
1. Nagarkot has gone more dirty	60	201	3.35	3
2. There has been an increasing deforestation	60	355	5.92	7
3. Adverse effect on the life of the people	60	330	5.50	6
4. Price rise	60	215	3.58	4
5. Local people have become more selfish	60	273	4.55	5
6. Creation of the opportunity for the local people	60	121	2.02	1
7. Enlargement of market and increase in production	60	159	2.65	2

Source: The Field Survey, 1995 & 2005.

The enlargement of market and increase in production and creation of the opportunity for the local people were noticed to be the most important two impacts

as revealed by 1995 and 2005 surveys. This is because these two impacts have received first two ranks in both of the surveys. The local people agree that tourism has brought good market and opportunities for them. Another interesting point to note is that the respondents of the both surveys assigned third rank to 'Nagarkot has gone more dirty.' The price rise has been recognized as the fourth important impact during 2005 survey, which received the fifth impact during 1995 survey. Likewise, deforestation was the fourth important impact of tourism in 1995 survey but it was revealed to be not at all important during 2005 survey as it received the last or seventh rank. The adverse effect on the life of the people received last or seventh rank during the 1995 survey, while the same received sixth rank during the 2005 survey and hence not important. Similarly, the other impacts of tourism in Nagarkot as viewed by local people were not so important during both the surveys. It all shows that tourism has brought more of the good impacts to the local people of Nagarkot than the bad impacts.

One of the components of tourism planning is to make some plan to encourage local people to own good toilets thus helping to create healthy tourism environment in Nagarkot.

From the above, it is clear the people would be willing to pay if the proper system is established for disposing their solid waste. It therefore seems that planners are not able to take advantage of this opportunity.

Thus one of the components of tourism planning in Nagarkot should include manpower planning as well.

. If tourism development is undertaken in a planned way, it is believed that average accommodation of tourists by the hotels can be increased much more in all the seasons.

Hence, tourism planning in Nagarkot should provision a number of activities so that duration of stay by tourists can be lengthened.

The 2005 survey of hotels revealed that there has been a great impact of tourism on the local people. The local employment is the major one, followed by the development of the local market, infrastructure development, and community development. They opined that tourism has supported the farmers to grow more crops, increased their value of land, and improved their standard of living. The need for better education has been felt. On the whole, tourism has brought economic well being of local people.

It was revealed that hotels do not have any kind of business plans during both the surveys of 1995 and 2005. The local hotel owners have formed an association to undertake some kind of planning for the hotel industry in Nagarkot. However one cannot expect effective planning from the body thus formed in the private sector that is solely guided by the profit motive. Hence it is felt that planning for hotels and tourism on the whole in Nagarkot should come from the side of the government through some institutional arrangement.

XXXXXXXXXXXXXXXXXX

The key features of Nagarkot are as under:

Total population	5255 (2001 census)
Males	3136
Females	2119
No. of households	696
Literacy rate	2%
Total area	24710 ropanies (1258 hectares)
Agriculture land	56.6% (14000 ropanies)
Forest area	32.4% (8000 ropanies)
Pasture land	8.1% (2000 ropanies)
Residence area	1.4%
Roads	20 kilometers
Historical places:	View tower, Temple of Ratneswar Mahadev, Kalika temple, and Jalpadevi temple.

Even though Nagarkot is located nearby Kathmandu district, it is backward socially, economically, and literally.

The major walking/cycling routes are as under:

-) Nagarkot – Viewing Tower (one hour)
-) Nagarkot – Telkot - Changunarayan (about 2 hours)
-) Nagarkot – Kattike - Sankhu (about 4 hours)
-) Nagarkot - Viewing Tower – Nala - Banepa (3 to 4 hours)
-) Nagarkot – Bhaktapur (3 hours).

Due to the above, Nagarkot is popular as a tourist place, and tourism is often regarded as an industry.

For the development of Nagarkot VDC, Bhaktapur DDC programmes for 2061/62 (2005/06) included the following:

Except for roads, the above mentioned programmes do not include such things that would be useful from tourism point of view.

However, no specific micro planning exercise as such has been made in the country. A few planning efforts at adhoc basis and project related works could be taken as local level efforts. But in the case of study area, Nagarkot, even such efforts have not been initiated. In view of this, no attempt is made to review and assess micro level planning in this study. The following sub-section is devoted to performance of tourism at local level. For this purpose, a case study of Nagarkot was undertaken. In this case study, changes in specific character of tourism performance over a period of ten years were also discussed.

Chapter 7

Findings, Conclusions and Recommendations

Throughout the world, tourism continues to develop as an important activity, and Nepal is no exception. Tourism research has accelerated dramatically in the last decade but, considering the size and scope of the tourism industry, the social science study of tourism is still in its infancy. Nepal has several natural, cultural and ethnic advantages, which could be exploited in numerous ways to develop its tourism sector. It is important to reformulate strategies that would make tourism a viable industry and a sustainable alternative. This study aimed at analyzing the tourism development in Nepal at macro and micro levels, and conducting a case study of tourism in Nagarkot at the micro level. The specific objectives were to assess the nature of tourism planning; determine the attributes of tourist arrivals in Nepal; analyze demand side of tourism by considering the pattern of growth in tourist arrivals, seasonality, and composition of tourist arrivals; examine the purpose of visit and length of stay by the tourists; assess the growth in revenue generation from tourism; analyze the supply side of tourism in terms of the growth in tourism infrastructure, e.g., accommodation, manpower, airlines, and investment; ascertain the effect of tourism expenditure, tourist accommodation and other factors on tourist arrivals and on tourism earnings; and analyze micro level perspective of tourism by conducting a case study of tourism in Nagarkot.

This study was based on both primary and secondary data. The primary data were collected in 2005 through field survey by administering the structured questionnaire to three responding

groups, namely, the tourists, the local households, and the hotels/lodges. The survey results of tourists comprised of analyzing the responses obtained from 108 tourists, while the survey results of local households were based on the analysis of the questionnaires received from 60 households. Likewise, the survey results of hotels and lodges contained the analysis of 30 questionnaires received from them. The major results of 2005 survey were also compared with the results of similar survey carried out in 1995 (Pradhan, 1996a).

The major secondary data collected from different sources were analyzed, which mainly comprised of analyzing the data relating to demand for and supply of Nepalese tourism. In the process of analyzing data, the various regression equations were also computed in order to explain the relationship of tourist arrival and tourism earnings with tourism expenditure, tourist accommodation and other factors in the context of Nepal. The study period chosen for analyzing the tourism policy and performance at the macro level was from 1982 to 2005.

7.1 Findings

The major findings of the study are as follows:

) The available statistics showed that 6,179 tourists visited Nepal in 1962 that increased to about 45,970 in 1970, 254,885 in 1990 and 491,504 in 1999, which declined to 375,398 in 2005. The number of international tourists declined after 1999 due to Maoists insurgency problem in the country. Prior to the insurgency problem in the country, the number of tourists visiting Nepal increased more or less continuously over a period of time.

) The average annual growth rate in tourist arrivals increased from 1.06 percent during 1982 to 1985, to 7.63 percent during 1986 to 1990, and to 7.88 percent during 1991 to 1995. However the growth rate declined to 5.15 percent during 1996 to 2000, and to minus 2.34 percent during 2001 to 2005. Even though much emphasis has been placed on tourism at the planning and policy levels, average annual growth rates could not increase significantly even before the insurgency problems in the country. If Nepal's population is to be taken at 25 million in 2005, the proportion of tourist arrivals to Nepal's population was simply 1.5 percent, which was quite low as compared to other nations.

) The gender analysis showed that the demand for Nepalese tourism by males was more than that of females. In all the years from 1982 to 2005, male tourists exceeded female tourists. The male tourists increased by 2.38 times while the female tourists increased by 1.75 times in 2005 over 1982. However, the male tourists increased by 0.87 times only while the female tourists increased by 1.18 times in 2005 over 1995.

) The analysis of age structure of tourists visiting Nepal from 1982 to 2005 revealed that the most popular age group of tourists was '31-45 years' representing about 30 percent of total tourists. It was followed either by '46-60 years', or '16-30 years', and 'above 60 years' and/or 'below 15 years'. The average age of tourists visiting Nepal was 36.8 years in 1982, which increased to 42.8 years in 2005.

) The tourists visiting Nepal comprised of tourists from Asia, Western Europe, North America, Australia and Pacific. In 2005, 61.3 percent of tourists visited Nepal from Asia alone, while 26.1 percent came from Western Europe, 6.1 percent from North America, 2.2 percent

from Australia and Pacific, again 2.2 percent from Eastern Europe, 0.9 percent from Central and South America, 0.3 percent from Africa and the rest from other continents. The Asia, Western Europe and North America were the continents, which supplied over 90 percent of tourists for Nepal, and there had not been any major change in the pattern over a period 1982-2005.

) The trekking permits issued showed that the demand for trekking tourism has increased over a period of time. The total trekkers increased from 32,332 in 1982 to 84,787 in 1995, and to 118,780 in 2000, and thereafter the number declined to 61,448 in 2005. Not all the trekking routes of Nepal were equally demanded. In 2005, Annapurna, Manang and Jomsom route were demanded by about 59.5 percent of trekkers, while Everest trek was demanded by 32 percent and Helambu Langtang Valley trek was demanded by 4.5 percent.

) The average length of stay by tourists in Nepal, on an average, was observed to be 11.8 days in 1982, which increased to 13.5 days in 1996 and 12.3 days in 1999, and 9.1 days in 2005. Thus, despite of several efforts made to increase length of stay at planning and policy levels, no positive change was revealed.

) The tourists' average length of stay varied widely across major nationalities. The 2005 statistics showed that the average length of stay was highest for nationals from Switzerland (15 days) followed by nationals from Spain (11.1 days), France (10.8 days), Germany and the Netherlands (10.4 days), UK and Canada (10 days), Austria (9.5 days each), Denmark (9.4 days), USA (9.1 days) and so on. The lowest average length of stay was for the nationals from India (6.4 days). Thus, the average length of stay varied greatly across the nationalities of

different countries.

) The average income per tourist increased from \$275.8 in 1982 to \$532.1 in 2005, the increase being 1.93 times. However the annual growth in average income per visitor had not been uniform across different periods of time. It declined from 5 percent in 1982-85 to 1.3 percent in 1986-90, while it increased to 8.8 percent in 1991-95 but again declined to -0.4 percent during 1996-00. The annual average growth rate in per tourist earnings was 5.8 percent during 2001-05. Thus, the average growth rate in earnings per tourist had not increased over a period of time significantly.

) As regards the supply side of tourism, the number of star hotels increased from 39 to 110 in 2005 over 1982, and the increase being 2.8 times. The average annual growth rates in star hotels were 1.7 percent in 1982-85, 7.2 percent in 1986-90, 4.9 percent in 1991-95, 5.6 percent in 1996-00, and 3.2 percent in 2001-2005.

) Though there has been an increase in the number of hotels, the proportion of star-hotels has declined over time. In 1982, the star hotels comprised of 52 percent of total hotels but the same turned out to be only 11 percent in all the years from 1999 to 2005. Similarly, 63 percent of total hotel beds were star hotel beds in 1982 but the same turned out to be 27 percent in all the years from 1996 to 2005.

) The capacity utilization or occupancy rate of hotels was noticed to be declining over a period of time. It declined from 83.9 percent in 1982 to 81.8 percent in 1990, 51.5 percent in 1995, 43.2 percent in 2000, and 23.8 percent in 2005.

) In Nepal, NATHM was an agency created for providing tourism-related training. The number of tourism manpower trained by it were 2,214 persons during 1961/62 to 1984/85, 2,723 persons during 1985/86 to 1989/90, 3,660 persons during 1990/91 to 1994/95, 6,572 persons during 1995/96 to 1999/00, and 5,808 persons during 2000/01 to 2005/06. In other words, of the total trained manpower supplied by NATHM, only 11 percent were supplied during 1961/62 to 1984/85, 13 percent during 1985/86 to 1989/90, 17 percent during 1990/91 to 1994/95, 31 percent during 1995/96 to 1999/00, and 28 percent were supplied during 2000/01 to 2005/06. Thus the supply of trained tourism manpower increased slowly and steadily over a period of time.

) The adequacy of air transportation has always been questioned in Nepal since air transportation plays a key role in supplying tourists to a land locked country, like Nepal. Though there were different national and international airlines engaged in international flights, the major ones are quite few. In 2005, Thai Airways appeared to be a major airline bringing about 16.2 percent of tourists in Nepal, followed by NAC (15.2 percent), Indian Airlines (13.3 percent), Qatar Airways (11.0 percent) and Jet Airways (7.2 percent). RNAC ranks second among the major airliners supplying more tourists to Nepal. The other important airlines supplied around 5 percent of tourists or less in 2005, for example, Gulf Air (5.7 percent), Druk Air (2.6 percent), Biman Bangladesh (1.7 percent), Austrian Airlines (1.8 percent), Pakistan Airlines (0.7 percent), and so on.

) The total development expenditure of the Government of Nepal increased almost continuously over the period from 1981/82 to 2003/04 while tourism development expenditure

fluctuated widely from one year to another. The total development expenditure increased from Rs.3,727 million in 1981/82 to Rs.41,485 million in 2003/04 while tourism development expenditure increased from Rs.4.8 million in 1981/82 to Rs.249.855 million in 2003/04. The total development expenditure at the national level increased by 7.7 times while the same for tourism development expenditure increased by 52.1 times in 2003/04 over 1981/82. The proportion of tourism development expenditure was 0.13 percent of total development expenditure in 1981/82, which increased to 0.77 percent in 1996/97 and to 0.60 percent in 2003/04. Thus the percentage of tourism development expenditure to total development expenditure was very small.

) The regression of tourism development expenditure on tourist inflow revealed that the beta coefficient was positive and significant at 5 percent level of significance. The tourism development expenditure elasticity was less than unity, indicating the presence of economies of scale. It implies that if the number of tourists were to double, tourism development expenditure needs to increase by less than double.

) The target levels of tourist inflow were postulated not to depend solely on tourism development expenditure but also on various other factors, e.g., hotel accommodation facilities. Theoretically, the level of tourist inflow would depend on tourism infrastructure such as hotel accommodation facilities too. The regression of tourism development expenditure and hotel beds on tourist inflow revealed that tourism development expenditure and number of hotel beds were positively correlated with tourist inflow. The beta coefficients were statistically significant with theoretically correct signs.

) The regression of tourism development expenditure on foreign exchange earnings showed that tourism development expenditure was positively related to foreign exchange earnings. The results indicate that higher the tourism development expenditure, higher would be the foreign exchange earnings.

) This study also undertook a micro perspective of tourism in Nepal based on a case study of Nagarkot. Nagarkot is a land of scenic beauties and diversities. This case study was mainly based on the survey of tourists, local households, and hotels conducted in the year 2005.

) About 46 percent of tourist visiting Nagarkot were male tourists, while 54 percent were females in 2005. The 1995 survey showed that about 67 percent of tourists were males, while 33 percent were females. Thus, the comparison of two surveys showed a change in sex composition of tourists visiting Nagarkot with female dominance at present. The dominance of female tourists in Nagarkot was not consistent with male dominance at the macro or national level.

) The major purpose of visiting Nagarkot by the tourists was mountain viewing, sightseeing, and relaxation. There was no major change in this pattern during the period of 1995 and 2005.

) The 2005 tourist survey revealed that a tourist, on an average, spent US\$17.2 on lodging, US \$15.1 on fooding, and US\$9.4 on local items, leading to US\$41.7 per day. Similarly, the 1995 tourist survey showed that a tourist visiting Nagarkot spent, on an average, of US\$9.4 on lodging, US\$12 on fooding, and US\$6.9 on local items per day, leading to a total of US\$28.3. Thus the average per day expenditure pattern of tourists visiting Nagarkot increased over a

period of time for lodging, fooding, as well as for local items. The per day expenditure on lodging increased by about 1.8 times while the same for fooding increased by about 1.3 times in 2005 over 1995. The per day expenditure on local items increased by about 1.4 times.

) According to the tourist survey of 2005, the first five major facilities that were considered poor by tourists were, street lighting, security, septage collection and disposal, drainage, and sanitation. Similarly, the tourist survey of 1995 indicated the first five major facilities that were considered poor by tourists were road condition to Nagarkot, street lighting, communication facilities, drainage, and septage collection and disposal. Thus, even after the lapse of ten years of time, street lighting, septage collection and disposal, and drainage facilities had not improved. Security, which was not the major problem in 1995, had turned out to be a serious problem in 2005. The road condition and communication facilities which were major problems in 1995 were no longer the major problems in Nagarkot over time.

) The first five major facilities that were considered good as per the tourist survey of 2005 were electricity supply, water supply, road condition, cleanliness of the place and behavior of the people. Likewise, the first five major facilities that were considered good as per the tourist survey of 1995 were behavior of the people, hotel facilities, electricity supply, security, and water supply. Thus, there were improvement in some infrastructure facilities like road and communication facilities over a period of ten years, while no such improvement was noticed in major facilities like street lighting, septage disposal, drainage, and sanitation.

) The survey of households in Nagarkot revealed that the development of tourism had brought many changes on the lives of local people. The 2005 survey indicated that about 90

percent of local people were benefited from tourism, while this percentage turned out to be only 59 percent in 1995. Thus the percentage of local people benefited from tourism increased over a period of 10 years.

) The 2005 survey of local people also indicated that their land value increased several times, almost double at the end of every three to five years. The increase in land value was attributed to increase in hotels and restaurants. The growth of tourism in Nagarkot increased business activities and employment of local people in the hotels and restaurants. It all led to an improvement in life styles and overall living standards of local people.

) The 2005 survey showed some shifts in the major occupation and income sources of local people. There had been a decline in income from agriculture and other sources, whereas there had been an increase in income from service and business sources. The trend showed that local people were moving away from agriculture to enter into service and business sectors. The shift was particularly significant in business sector. Over a period of ten years time period, there had also been a decline in agriculture land and increase in the number of residential houses in Nagarkot.

) The tourism promotion in Nagarkot requires improvement in local environment, such as toilet facilities, sanitation, and solid waste management. The 1995 survey revealed that about 67 percent of local people did not have their own toilets. They either used outdoors or used neighbors. However, the 2005 survey revealed some improvement over the situation. The local people using outdoor and neighbor declined from 67 percent in 1995 to 58 percent in 2005. The

people using cistern flush toilets and pour flush toilets increased from 3 and 5 percent in 1995 to 17 percent and 8 percent respectively in 2005.

) The 2005 survey revealed that about 90 percent of the people owning their toilets had a septic tank. Only 10 percent of the people did not have septic tank to their toilets. As regards overflow of septic tanks, only about 20 percent of septic tanks used to overflow, and again one-half of them had the overflow drain. It revealed that there were good improvements in the quality of septic tanks used by the local people over a period of ten years. The 2005 survey showed the marked improvement in the size of septic tanks too. The average size of septic tank was measured to be 282 cubic feet in 2005, which was the double the average size of septic tank in 1995. The smallest size was measured to be about 120 cubic feet, while the largest size was measured to be 2400 cubic feet. They were again bigger as compared to that in 1995. As far as the bottom of septic tanks is concerned, the 2005 survey revealed that 30 percent of them had open bottom, 37 percent had a slab bottom, and 33 percent had bricks and aggregates. Though there had been an improvement in quality of toilet conditions over a period of ten years, there is still a need to encourage more people to undertake improvement of their toilet conditions.

) Presently there is no system of any kind for handling solid waste collection and disposal. The 35 percent of the people used to dispose the sold wastes by burning them in yard/forest, 27 percent used to bury them in yard, 6 percent used to dump in the street or alley, and the rest 32 percent used other methods of disposing solid wastes. Others included the disposal of solid waste on the road, river, and forest. Disposal on the road was a very common practice. Besides, solid wastes were also disposed in one's own house, and farms. Food wastes were used for cattle feeding as well. The 2005 survey of people on solid waste disposal had not revealed any

significant change even after the lapse of ten years. The survey revealed that 37 percent of respondents used to dispose solid wastes by burning them in the yard/forest, 28 percent used to bury them in yard, 5 percent of them used to dump in the street or alley, and 30 percent used other methods to dispose solid wastes.

) With the increase in the number of tourists visiting Nagarkot, the number of hotels and lodges had also grown significantly. The total number of hotels and lodges in Nagarkot were 7 in 1984, 9 in 1988, 11 in 1990, and 14 in 1993. When the survey of hotels and lodges were carried out in 2005, the number of registered hotels/lodges increased from 18 in 1995 to 38 in 2005. Thus the total number of hotels and lodges increased by about 111 percent in 2005 as compared to 1995.

) The 2005 survey indicated some important shifts in employment provided by the hotels in Nagarkot. The survey revealed that there were 10 percent of hotels providing employment to four persons or less, 27 percent of hotels providing employment to 5 to 8 persons, 33 percent providing employment to 9 to 12 persons, and 30 percent providing employment to more than 12 persons. The 1995 survey revealed that there were 29 percent of hotels providing employment to four persons or less, an equal number of hotels providing employment to 5 to 8 persons, 18 percent providing employment to 9 to 12 persons, and 24 percent providing employment to more than 12 persons. Thus the number of hotels providing employment to '9 to 12 persons' and 'more than 12 persons' increased in 2005 over 1995. Thus the size of hotels in terms of employment increased in 2005 over 1995 in Nagarkot

) The structure of present capital outlay of hotels in Nagarkot changed dramatically over a period of time. The majority of hotels (33 percent) had capital outlay of more than Rs. 10 million while only 17 percent of them had capital outlay of less than Rs. 2 million. Similarly the number of hotels with a present capital outlay of Rs. 2 million to Rs. 4 million turned out to be only 7 percent. The ten percent of hotels had capital outlay of Rs. Rs. 4 million to Rs. 6 million, and equal percentage had Rs. 6 million to Rs. 8 million Twenty three percent of hotels had present capital outlay of Rs. 8 million to Rs. 10 million. It shows that the majority of hotels increased their capital outlay in Nagarkot. The average capital outlay at present turned out to be Rs. 4.5 million, the increase being 74 percent. Thus the number of small sized hotels in terms of capital outlay decreased while the number of large sized hotels increased over a period of time. Therefore, there had been a significant change in the structure of capital outlay over time. The increase in the number of big hotels indicated the growth and development of tourism in Nagarkot.

) The 2005 survey of hotels indicated that the majority of hotels/lodges (57 percent) had tourists staying one night, followed by 33 percent for two nights of stay, seven percent for three nights and only three percent for more than four nights of stay by tourists. The average duration of stay was 1.6 days in 2005, which was just one day in 1995. Though the average duration of stay by tourists increased in 2005 over 1995, it is still quite short. It could be attributed mainly to the lack of activities for the tourists in Nagarkot.

) The 2005 survey revealed that there were 482 rooms and 2008 beds, as against 183 rooms and 376 beds in 1995, the percentage increase being 163 percent and 434 percent respectively in 2005 over 1995. As per the 2005 survey, the average number of rooms per hotel/lodge was

observed to be 16 rooms while the average number of beds per hotel/lodge was observed to be 66 beds. These figures were observed to be 11 rooms and 22 beds per hotel. Thus the average number of rooms increased by about 46 percent, while the average number of beds increased by about 200 percent in 2005 over 1995. The increase in the number of rooms and beds in hotels/lodges revealed increasing tourism in Nagarkot.

) The 2005 survey of hotels and lodges revealed that even after the lapse of ten years, there was no significant improvement in infrastructure facilities. According to the 1995 survey, the eight infrastructure facilities that were considered poor by the hotels were sanitation, toilet facilities, security, street lighting, septage collection/disposal, drainage, road condition to Nagarkot, and cleanliness of the place. Similarly, the seven infrastructure facilities that were considered good were behavior of people, hotel facilities, electricity facilities, water supply, tourist guides, communication facilities, and trekking facilities.

) The 2005 survey of hotels/lodges conducted in a way similar to 1995 produced different results. As per the 2005 survey, the first eight infrastructure facilities that were considered poor were street lighting, security, septage collection/disposal, drainage, toilet facilities, water supply, cleanliness of the place, and sanitation. Thus, there had been no significant improvement in seven out of eight poor tourism infrastructure facilities, such as, street lighting, security, septage collection/disposal, drainage, toilet facilities, cleanliness of the place, and sanitation in 2005 over 1995. The facilities that were considered good during 2005 survey were: hotel facilities, communication facilities, trekking facilities, road condition to Nagarkot, tourist guides, behavior of the people and electricity supply. These results were not very different from the results of the 1995 survey.

) The 2005 survey of hotels/lodges indicated that all the hotels had septic tanks. About 10 percent of septic tanks still used to overflow as against 35 percent in 1995. About 90 percent of them had the overflow drain which were noticed to be about 67 percent in 1995. The 1995 survey showed that the average size of septic tank was measured to be 512 cubic feet while the 2005 survey revealed the same to be 960 cubic feet, leading to the increase in average size of the septic tank. Thus the toilet facility of the hotels/lodges had improved over a period of ten years.

) The 2005 survey indicated that a hotel/lodge, on an average, used to generate solid waste of 58 kg per day, while it was much lower during the 1995 survey, that is, an average of 15 kg per day. Thus, the 2005 survey showed a marked increase difference in solid waste generation by the hotels and lodges. As regards the composition of solid wastes, the 1995 survey showed that solid waste in hotels and lodges in Nagarkot composed of about 36 percent of food waste, 27 percent of plastic wastes, 22 percent of paper wastes, and 15 percent of wastes. The situation has changed greatly in 2005 where plastic wastes increased to 36 percent leading to a decline in other types of wastes. The increase in plastic wastes can not be regarded as a healthy sign for tourism development.

) The method of disposing solid waste changed greatly in 2005 over 1995. The 1995 survey showed that about 46 percent of the hotels used to bury in yard, 18 percent used to burn in yard, and the other 18 percent used to dump in the street or ally. Yet another 18 percent used different methods, such as, disposal of solid waste on the road, river, and forest. The 2005 survey showed an increase in the percentage of hotels burying the solid waste in yard to the

extent of 65 percent, while the percentage of hotels using other methods declined. Almost all the hotels/lodges felt that there was a need for installing an efficient system of garbage pickup and control. The hotels/lodges were willing to pay on a monthly basis if a proper system for solid waste collection and disposal were established.

7.2 Conclusions

Since tourism development is a multisector activity, which brings with it environmental, social and economic impacts, tourism policy and planning is of great significance. However, the significance of tourism policy and planning and their successful implementation has not received much priority.

The various planned efforts were made for the tourism development in Nepal. As a result, tourism industry has expanded well over a period of time. The investments were made in tourism infrastructure. Tourism development has been a priority in all the successive periodic planning of the country.

The Nepalese plans have always added a new dimension in the planned approach for tourism development, however the performance is at a low level. Despite the planned efforts, the trend of tourist arrivals has not been effective. Nepal's share in world tourism is very insignificant though there are tremendous potentialities, which are unique in nature and availability.

Notwithstanding high priority given to tourism planning, the tourism development expenditure of the government is not even one percent of total development expenditure. This kind of poor

financial priority given to tourism sector shows government's lack of commitment towards tourism promotion in the country.

There has been a growth and development of tourist accommodation facilities over a period of time. Despite the decline in the demand for Nepalese tourism in recent years due to insurgency problem in the country, the number of hotels, rooms, and beds had not declined. There was however a distinct decline in occupancy rates of hotels.

The supply of trained manpower required for the development of tourism increased over a period of time, irrespective of the rise and fall of tourism. Tourism training and education, which was relatively unpopular in the past, have gained more popularity in the recent years.

The study results at macro and micro levels are not comparable in toto. The tourism in Nagarkot comprised more of the female tourists, while tourism at the national level comprised more of the male tourists. Similarly, national level tourism consists more of Asian tourists, while the majority of tourists visiting Nagarkot were non-Asians. Some differences exist with regard to expenditure by tourists, and length of stay.

Scenic mountain beauties, trekking opportunities, and peaceful environment of Nagarkot are unique. And visitors to Nagarkot are very selective. At the moment, tourism in Nagarkot is at low level probably because its potentiality has not been recognized well. The locational advantage of Nagarkot has not been exploited to the fullest possible extent.

7.3 Recommendations

-) The planned approach to tourism development is now well established in Nepal, however, there is a lack of integrated approach in tourism planning. As a result, tourism development activities were initiated without desired effect. Hence, integrated approach in tourism development should be adopted.
-) In most cases, tourism development activities had been either project-based or on ad hoc basis. As a result, sustainable issue tends to emerge. The planning of tourism development activities (whether project based or others) should adequately consider sustainability.
-) Tourism development is a multi-sector activity. The tourism development program in the country was not effectively developed with necessary coordination. Hence, tourism development program in the country should be formulated in close collaboration with various development agencies including the private sector.
-) The study revealed that tourism development in the country focused basically on quantity rather than on quality. Therefore, necessary efforts should be made for development of quality tourism by providing due consideration to supply side. This concept implies protecting the environment, maintaining cultural identity and integrity, and achieving a high level of tourist satisfaction, while still generating substantial economic benefits.
-) The basic issue of development program in the country is weak implementation process. This was seen in the study as well. This issue should be well addressed at the macro level.

-) The study showed that tourist products in the country are not well explored and diversified. There is a great potentiality of diversifying tourism in the country. Therefore necessary steps should be taken for diversification of tourism in the country.
-) Tourism planning at micro level continues to be an ad hoc affair. The planning exercise is virtually absent for tourism development at the micro level. Therefore, necessary institutional mechanism together with capacity building program should be developed for undertaking tourism development planning and programming at local level.
-) Nepalese tourism has not been dealt from the viewpoint of demand and supply sides. The quality of demand side refers to the fact that the demand for tourism should come from quality tourists. The emphasis has so far been on quantity or number rather than on quality. The demand for quality tourism requires supply considerations too. The supply is interrelated to all aspects of tourism including quality hotels and accommodation.
-) The Nepalese tourism is demanded most by tourists coming from Asia, Western Europe and North America, which constituted over 90 percent of tourists visiting Nepal and there has not been any major change in the pattern over a period 1982-2005. Therefore the Nepalese tourism should attempt to achieve diversification in the tourist sources and attract more tourists from other continents.
-) Though Asia has been the largest continent demanding Nepalese tourism, about one-third of demand came from India alone. The pattern is almost similar for other selected years of study, which indicates failure to attract tourists from other Asian nations. Hence tourism

planning should consider attracting tourists from other Asian nations as well.

-) It is found that the majority of tourists from different countries visited Nepal either for holiday pleasure or for trekking and mountaineering. Therefore, tourism planning should give due attention to diversification in the purpose of tourists' visit
-) It is seen that pilgrimage tourism is popular in February through March and in August through November. There are occasions for various forms of tourism in Nepal. Such occasions should be well expressed to attract tourists.
-) In Nepal, the demand for all the trekking routes is not alike. The Annapurna, Manang and Jomsom route was the most demanded route, followed by the Everest trek, and Helambu Langtang valley trek. The other routes were not popular. Therefore, efforts should be made to promote other trekking routes.
-) The tourists' average length of stay varied widely across major nationalities. The 2005 statistics showed that the average length of stay was highest for nationals from Sri Lanka (15 days) while it is the lowest for the nationals from India (6.4 days). The length of stay for other nations was not high. Therefore, efforts should be made to increase the length of stay among the nationalities whose length of stay was short.
-) Though the foreign exchange earnings increased continuously over time in absolute amounts, the average annual growth rate in foreign exchange earnings from tourism fluctuated widely across the years. The foreign exchange earnings from tourism as a

percentage of total value of merchandise, the foreign exchange earnings from tourism as percentage of total value of exports of goods and non-factor services, and the foreign exchange earnings from tourism as percentage of total foreign exchange earnings have all declined over a period of time. Therefore, efforts should be made to improve adverse trend in growth of foreign exchange earnings to make tourism a viable and dependable industry.

) In Nepal, most of the star hotels are located in Kathmandu and there are very few star hotels outside Kathmandu. It means that outside Kathmandu is dominated by non-star hotels. Therefore, tourism planning should give priority to develop other destinations with a provision of quality star hotels.

) Though there are different national and international airlines engaged in international flights, the major ones are quite few. In 2005, Thai Airways appeared to be a major airline bringing about 16.2 percent of tourists in Nepal, followed by NAC (15.2 percent), Indian Airlines (13.3 percent), Qatar Airways (11.0 percent) and Jet Airways (7.2 percent). NAC ranks only second among the major airliners supplying more tourists to Nepal. It was found that NAC did not appear to be an important carrier of tourist in terms of volume and destinations. Therefore efforts should be made to develop NAC as an important carrier of tourists.

) The total development expenditure of Government of Nepal increased almost continuously over the period from 1981/82 to 2003/04 while tourism development expenditure did not show such trend. The proportion of tourism development expenditure was 0.77 percent in 1996/97, which declined to 0.60 percent in 2003/04. The decline in proportion of tourism

development expenditure in the recent past shows government's lack of commitment towards tourism promotion in the country. Hence there should be an increase in tourism development expenditure by the Government of Nepal.

-) The study of tourism at micro level revealed the absence of long-term planning. There was no long term planning exercise for tourism development in Nagarkot. Moreover, the facility development in Nagarkot takes place on an ad hoc basis. Therefore, long-term tourism planning at the micro level should be given due emphasis.
-) The study revealed that the majority of tourists visited Nagarkot by local bus (55%). The condition of local bus service was very poor in terms of frequency and service quality. Therefore, due attention should be given to quality bus service.
-) The comparison of survey results of tourists visiting Nagarkot in 2005 over 1995 indicated that there had been a decline in low spending tourists and increase in high spending tourists over a period of time. The tourism development strategy for Nagarkot should make effort to capture this trend.
-) The number of hotels and lodges grew significantly in Nagarkot over a period of time. The total number of hotels and lodges increased by about 111 percent in 2005 as compared to 1995. However, the development of hotels and lodges in Nagarkot did not take place in a planned way. Such developments have a negative impact on local environment. Hence, it is necessary to emphasize planned development of hotels and lodges in Nagarkot.

-) It was revealed that with the increase in tourist activities, traditional culture in Nagarkot began to erode slowly and steadily and people became more materialistic. Hence, tourism promotion in Nagarkot should address such negative effects of tourism.
-) The comparison of 1995 and 2005 survey results of tourists revealed that even after ten years of time period, street lighting, septage collection and disposal, and drainage facilities have not improved. Security, which was not the major problem in 1995, had turned out to be a serious problem in 2005. Hence in order to promote tourism in Nagarkot, tourism infrastructure, like security, street lighting, seepage collection and disposal, sanitation, and drainage facilities should be improved
-) Though the use of outdoor toilets have declined in 2005 as compared to 1995, this practice still continues and many local households did not have cistern flush toilets. This kind of environment is certainly not healthy for tourism promotion in Nagarkot. Hence the local people should be encouraged to have their own good toilets and improve the conditions there of.
-) The 2005 survey of hotels indicated that the average length of stay by tourists was 1.6 days, which was just one day in 1995. Though the average duration of stay by tourists increased in 2005 over 1995, it was still very short in 2005. Hence efforts should be made to increase the length of stay by increasing various activities for the tourists in Nagarkot.

-) The study revealed that there should be some kind of system established for garbage pickup and disposal. As a short-term measure, this task should be entrusted to the Nagarkot Village Development Committee. The households and hotels would be willing to pay on monthly basis if a proper system for solid waste collection and disposal would be established. If the garbage pick up and disposal is not improved, it would be difficult to keep Nagarkot neat and clean, which would eventually affect tourism adversely in Nagarkot.
-) In Nagarkot, there was no system of keeping a record of tourists, and as such, no data are available on tourists and their characters. There is no doubt that the generation of tourist data and maintenance of records is very important in the process of tourism development either for the purpose of formulating tourism plans or for developing strategy. Therefore it is recommended that tourists' record keeping system should be initiated at the micro level including all important tourist destinations of Nepal.

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***** **IRRELEVANT MATTERS** *****

As in virtually all employment sectors, sexual harassment is widespread in the travel industry (Belluccio 1983, 66-86). In fact some claimed that it may be twice as severe a problem as in most other occupations (Eller 1989; Nozar 1990; Brownwell 1993). In developing nations, employment typically follows a pattern of both assigning the poorest jobs to women and inferior jobs in general to minorities (Richter 1982).

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