

# **MENDEL UNIVERSITY**

**Faculty of Regional Development  
And International Studies**

## **The importance of Nepal tourism industry in national economy**

### **Bachelor Thesis**

**Supervisor**

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**Declaration**

I declare that my Bachelor's Thesis entitled 'The Importance of Nepal Tourism Industry in National Economy' is written under the supervision of RNDr. Ales Ruda, Ph.D. And all sources of information which are used in this research have been acknowledged.

Also, I declare that this thesis is original and has not been submitted for the award of any other degree or other qualification at any university. I agree that this work can be deposited in the Library of Mendel University in Brno Czech Republic.

Brno, December 2014

Author's Signature

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## **Dedication**

I dedicate this thesis to Almighty God. To my Parents, my beloved, son, sister, brothers and friends for their moral support, patience and encouragement while writing this thesis.

## **Acknowledgement**

This thesis entitled The Importance of Nepal Tourism Industry in National Economy has been under taken in to study of three years Bachelor degree at Mendel University in Brno. First of all, I would like to extend sincere gratitude to my thesis supervisor RNDr. Ales Ruda, Ph.D. for his guidance and supervision to my dissertation. My deepest sense of gratitude goes to my parents whose affection, encouragement and support helped me to push up in this stage of education, and respectful regards to my beloved Ganga Shrestha and my son Adhyan Shrestha for stimulating me towards the path of my academic pursuit and providing me the moral support to complete my bachelor's degree to the best of this capacity. I would like to express my heartfelt thanks to my friend Vikash Kumar Aryal for his support to collect the information.

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## **Abstract**

Tourism has been the important source of Nepal's economy by creating direct, indirect and induced effects in the economy. This research paper is designed to examine The Importance of Nepal Tourism Industry in National Economy. This study is based on gross domestic product, the flow of tourist from 1963-2013, foreign exchange earnings from the tourists. Moreover, the paper analyzed the prevailing types of the tourists and the numbers of people who are employed from the tourism industry. No doubt, Nepal being poor and small country need to uplift the national economy by promoting the tourism industry. Nepal has been getting foreign exchange, others sources of income and brings significant positive changes among the Nepalese people since the time of tourist inception in the country. Nepal prepares and fully utilizes the economic benefits and opportunities by identify the others tourist's destination. Tourism is widely recognized among the Nepalese people which can be the engine of economic growth. In this research paper I mainly focus the issue of current tourism potential with available data sources, describe the prevailing types of tourism and present development of tourism industry since 1963. The research is based on the tourism industry and its impact in the Nepalese economy.

## **List of Abbreviations**

CBS	Central Bureau of Statistic
CNN	Cable News Network
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
ICIMOD	International Centre for Integrated Mountain Development
INGO	International Non- Government Organization
MS	Microsoft
MTCA	Ministry of Tourism and Civil Aviation
NGO	Non- Government organization
NTB	Nepal Tourism Board
RNAC	Royal Nepal Airlines Corporation
SAARC	South Asia Association Regional Corporation
SMEs	Small and Medium- Sized Enterprises
UN	United Nation
WTO	World Trade Organization
UNCTAD	United National Conference on Trade and Development
UNO	United Nation Organization
WTTC	World Travel and Tourism Council
UNDP	United Nations Development Programme

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## 1. INTRODUCTION

This is an introduction chapter where tourism is described as the largest industry of Nepal. It is taken as the source of foreign exchange and revenue which helps to promote the national economy of Nepal. Nepal is ranked as a one of the hotspot and top ten destinations for the adventure tourism of the world. In this chapter some definition and meaning and importance of tourism industry of Nepal and its impacts of national economy is also provided. Along with that, objectives, limitation and importance of the study will be introduced.

Tourism is considered as the largest industries in the world to generate foreign exchange and revenue for many countries. At present tourism is recognized as one of the chief and expanding industries throughout the world. Besides this tourism has encouraged the growth of an international social and cultural attributes to much extent. In this regard there are ten world heritages and unbeatable combination of natural beauty. (Wikipedia, the Free Encyclopaedia)

Nepal is taken as the hotspot destination for mountaineers, white water surfers, rock climbers and people seeking adventures. The Hindu and Buddhist heritage of Nepal and its weather are also strong attraction and crowd pullers (NTB, 2013). Nepal as sources of so many natural beauties which have been found from Far-East Mechi to Far-West Mahakali zone, from south Terai to the snow-capped Himalayas in the north. Numerous tourist attraction are available everywhere in Nepal including the highest peak of the world- Mount Everest, the birth place of Gautam Buddha- Lumbini, rich with biodiversity and great geographical variations (Best in Travel, 2010). World famous news channel- CNN has enlisted Everest Region of Nepal as one number destination of the world (The Kathmandu post, 2010). Nepal is gradually gaining distinct importance for its nature beauty, exotic places, unique adventure, hospitality and pleasure travelling. (Gautam, 2008) Tourism sector in Nepal has been the important sector for many decades in generating foreign exchange and employment in the country. It is a growing sector with huge potential for investment and development (Afam and Del Poro 2012, Enterprise Europe Network, 2006)

## 1.1 Significance of the study

Nepal is small but beautiful country which is recognized as a tourist ideal hub for culture, nature and religious lovers. Diversities of languages, having the multicultural nation and typical cultural heritage are the defining characteristics of Nepalese society. Nepalese traditional customs and culture can be interesting to the foreigners of the world. The simple and common life of Nepalese people can be equally interesting for all the tourists. Rural-tourism, eco- tourism, sustainable tourism are becoming popular. Nowadays Home stay practice is popular for both domestic and foreign tourists.

Tourism industry contribute the national economy of Nepal by creating various direct and indirect jobs and helps to increase the national revenue as well as the foreign currency by the tourist related trade. This research is designed to examine ‘The Importance of Nepal Tourism Industry in National Economy.’ The study is based on annual data of gross domestic product, foreign exchange earnings from tourism and real effective exchange rate from the period.

The salient significance of the study is that Nepal, despite being rich in tourism resources still the growth in tourism sector is not taken as a panacea in the field of national economy but is has played the vital role to increase the economy of Nepal. It gives lot of impacts on the indigenous industries and services or creating direct indirect and induced employment opportunities and also changing the way of living of people. This study visualizes and addresses Nepal as one of the prospective and unique country of glories, land of culture, valleys of lakes and temple which can offer and welcome the increasing number of tourists and provide satisfactory pleasures to the visitors thereby uplifting Nepal’s economic condition and change the way of life as a whole.

## 2. OBJECTIVES AND METHODOLOGY

The major objectives of this research is to determine the effects of tourism on the Nepal's socio-economic transformation and to look at the major economic indicators from the world's tourist .The primary purpose of this study is to examine the flow of tourist and its impacts to economic growth of Nepal. It tries to determine the relationship between earning from tourism and GDP from the period 1963-2013.The study is to collect the information about existing state of tourists and their activities in Nepal. It presents the state of tourists which is related with the national income. Effort has been provided to demonstrate whether tourism industry of Nepal is helpful in generating employment and income.

The main objectives include;

- To describe the current tourism potential with available data source.
- To identify the prevailing types of tourism
- To describe the development of tourism industry since 1963.

### 2.1 RESEARCH METHODOLOGY

A methodology is the tools and techniques instantiated and materialized by a set of methods. Methodology is the tool which is used as an instrument or apparatus that is necessary to the performance of some task. It does not describe specific methods; nevertheless it specifies several processes that need to be followed. These processes constitute a generic framework. They may be broken down in sub-processes, they may be combined, or their sequence may change. However any task exercise must carry out these processes in one form or another.

This research is descriptive and is completely based on secondary data, no primary data is used in this research so there is no questionnaire and tools of primary data collection.

## 2.2 Research Design

The main objective of this study is to find out The Importance of Nepal Tourism Industry in national Economy and the prospects of tourism in Nepal in order to fulfil the objective of this study; descriptive or qualitative have been applied. The descriptive research design helps to provide an opportunity for considering different aspects of tourism in Nepal.

More importantly, I have followed an interpretive paradigm in my research. This is because the subject matter that I am investigating is directly linked with me (the investigator) as I am already involved in the activities of the Nepal Tourism Board. With this type of research given the above paradigm, I shall be collecting so many data's related with tourists from the past to the present time. My effort will be to arrive at a consensus and make logical conclusions from my discussions with them

## 2.3 Data Analysis

Data was presented and analyzed using statistical and logical techniques and tools as the nature and requirement of the data. Statistical tools were used for quantitative analysis and logical techniques were used for qualitative analysis

The data obtained of the tourists were coded and categorized according to the requirement. Then the coded data were converted into tables with numbers, average and percent through computer office programs MS word and MS Excel. Simple statistical tool were used to analyze data. Important information was tabulated in the table. Qualitative information was analyzed descriptively.

## 2.4 Secondary Sources of Data

- The study is basically based on secondary data. The secondary data has been collected from the source mentioned below:
- Secondary data for the study are especially gathered from the various organizations and institutions as Nepal Tourism Board (NTB) Pardasanimarga, Ministry of Tourism, , different Trekking Agencies, Central Bureau of Statistics, Tourism Fiscal Year 2013/14 ,Tourism Survey Ministry of Culture, Tourism & Civil Aviation

Planning & Evaluation Division Statistical Section Besides this, relevant information would collect from various published and unpublished books, booklets, journals, newspapers, reports, etc. ICIMOD Kathmandu, Central Library T.U. Kirtipur,

- Various concerned websites also visited for the sake of capturing required information for the study.
- The secondary data has been analyzed by using quantitative and qualitative methods. Figures and tables are included as requirement

### 3. THE STATE OF ART

This chapter deals with available history of Tourism industry of Nepal which is useful in economic growth of Nepal. As reviewed to generate adequate relationship between the variables and to share other's opinion on the issued statement. This research has reviewed a wide range of relevant books, journals and research reports regarding the tourist and its effects on national economy.

#### 3.1. Theoretical Review

The growth of the tourism industry increases the demand for the product and services of tourism. The availability of such products and services highly depends on the production capacity, natural resources, product attractiveness and supply condition of economy. Moreover; it is also related to business entrepreneurship, investment climate, government policy and financing mechanism. Here, tourism industry is taken as the backbone of national income. (Goeldner et al, 2000)

Pradhanga (2000), in his book he has analyzed the consumption pattern of tourist, to analyze the use of local resources in tourist consumption and their effect on employment, to probe in to capacity utilization of hotels in relation to tourists' number and length of stay and to examine the change of the government revenue resulting from the tourist export. Most of the resources have been used by the tourists which become the special source of national revenue.

Chanda, (2000), mentioned his views in his book Nepal's Tourism Uncensored Facts presents the clear vision of tourism in Nepal. He explains that tourism has contributed to the overall growth of the economy therefore any measure that tend to negatively affect the tourism sector will affect the performance of the entire economy of the country. The sector of influence of tourism is expanded day by day in the field economic sectors.

S.K.Adhikari and Veit Burger, (2003), presented their views that tourism in Nepal is of rather recent origin. Before 1950, no foreigners were allowed to visit Nepal without permission of Rana Rulers. After opening the door of tourism, the tourist inflow in Nepal is rapidly increased. They indicated that more than 100,000 tourists visited the Nepal in 1976. Since 1962 the number of tourist arrival has grown at an average 20% per annum. Since the time the number of tourists flow in the country is increasing every year.

(Ghimire, 2013; Gautam, 2009), in their research in the tourism mention that, in the present time Nepal earns foreign currency equivalent of NRS.34.21 billions. The sector provides employment for about 20 percent of economically active population and directly contributes around 3.0 percent on gross domestic product (GDP).Tourism has been a dynamic and the fastest growing service industry. It holds an indispensable position among the drives of economic growth of the country and facilitates for the peace and harmony.

According to them socio cultural change relate to local quality of life and sense of place. Positive in the quality of life could be as follows; personal income increases, helps to improve living standard for those more directly involved in industry, supports the diversity of restaurants and other cultural entertainment, influence the assortment of goods for sale in many local shops that would not be available in the same amount if tourism did not exist to support them, park areas are often improved, street furniture and design criteria introduced, greater care and attention placed on overall environmental quality, new opportunities etc. (Godfrey and Clarke, 2000)

Development of tourism sector has contributed to increase employment and income generation and to improve the balance of payment of the country. It is important not only from the point of view of earning foreign exchange but it also enhances scope for various industrial branches, like hotels motels and other types of accommodation, restaurants and other food services and other types of accommodation, restaurants and other food services, amusement and other activities, gift shops and large numbers of other enterprises such as fruit production and processing etc. Nepal where the possibilities of exporting manufactured goods are limited cannot ignore tourisms' role because of its multifaceted effects such as the balance of payments situation, diversification of the economy, augmentation of revenues and generation of employment opportunities directly and indirectly. ([www.grdc.org.uem/eco-tour/etour](http://www.grdc.org.uem/eco-tour/etour)).

Hence, tourism is the base in the economy of Nepal in the process of regional development of an economical backward region. So, it is important to promote the tourism industry for the landlocked, mountainous and poorly resource base economy like Nepal. So the government of Nepal should have given the high priority to attract the tourist from the foreign land. As tourists contribute to sales, profits, jobs, tax revenues and income, the economic benefits and cost reach to virtually everyone in the region or societies. The potential impact of tourism is on growth promotion, job creation and revenue generation.



Tourism industry is related with service oriented jobs which helps to increase the employment to a large number of people in the country. Such type of economic relationship is known as Tourism Led-Growth hypothesis. It treats international tourism as a potential factor for the economic growth. So that, tourist spending, as an alternative form of exports, provides the foreign exchange earnings. It is subsequently used to import capital goods to produce goods and services, which in turn leads to economic growth in the host countries. (Balaguer and Cartavella-Jorda, 2002, Samini and Sadeghi, 2011)

### 3.2 Current Tourism Potentiality in Nepal

Nepal is a beautiful hub for tourist destinations which is linked with India in the south, east and west and china in the north. It is a lucrative, marvellous and potential country. It is the richest country in terms of bio diversity due to its unique geographical position and altitudinal variation. The elevation of the country ranges from 60m above sea level to highest point on earth, Mt. Everest at 8,848m, all within a distance of 150km resulting into climatic condition from sub tropical to arctic. There is immense potentiality of tourism in Nepal; though only 0.1% of the world landmass of the earth is covered by Nepal it has 2% of total flowering plants, 8% of world's population of birds, 4% of mammals more than 500 species of butterfly, 600 indigenous plant and 319 species of exotic orchids not only this the geographical position and altitude variation of Nepal is also able to attract tourist. The culture, religion and climate are also a major factor which has contributed a lot in the development of tourism in Nepal. Today, ecotourism has also helped Nepal to widen its area, ecotourism is nature based tourism. The increasing literacy rate and per capita income of Nepal has also given birth to domestic tourism and is increasing every year (Budget Speech of Fiscal Year/15) Nepal has unique assets for tourism development, and a great diversity of products; key attractions include trekking and adventure activities, religious and cultural sites and nature tourism. The country has an established niche in international tourism, with tourist arrivals exhibiting strong and stable growth, and growth and opportunities from neighbouring markets as well as a stable contribution from traditional source markets.

In Nepal the current tourist's arrival is growing rapidly due to the abundant natural landscapes. Nepalese society, cultural pattern, favourable environment are the additional points to increase the tourism potentiality in Nepal. The introduction and development of the

modern means of transportation and communication have contributed to tourism growth by facilitating and augment travelling activities in Nepal (Shrestha, 1978:20).

The realization for the need of development in almost all countries, increasing liberalization of foreign exchange and travel restrictions, liberal policy of governments, the aspiration for international brotherhood, etc., are the main factors contributing for the rapid growth of tourism (Shrestha, 1978: 22). Other factors responsible for the enormous growth of international tourism are: availability of leisure time with the people, the rapid growth of population, the advent of Jet travel, the creation of low cost means of transport and communications, low cost hotel and restaurants, retirement age and increasing life expectancy, desire to know and see the unique life styles, traditions and cultures of people of different places, rising standard of living and so on. In Nepal the government, non-government agencies, tourism agencies are encouraging the people to travel by providing schemes and incentive to travel in the hotspot destination of Nepal.

The current potential of tourism is based on the destinations. Many areas in Nepal have high potentials for tourism development but will require development of infrastructures(roads, bridges, airports, accommodation facilities etc.) and human resources to manage the tourism industry.

Recently, Nepal Tourism Board (NTB) has compiled a “Tourism Product of Nepal” as a promotional material on the occasion of “Visit Nepal Tourism Year 2011.” The Government of Nepal announced a Tourism Policy about 4 years ago. In addition, a Tourism 2020 Vision was developed in which it was stated to attract 2 million visitors by 2020 (MoTCA, 2009). Its strategy includes, among others, improving livelihoods and spreading benefits at the grassroots level and expanding products and attracting new investment. The Great Himalayan Trail is another concept that is being jointly studied in detail by the Government and SNV-Nepal.

### 3.3 Types of Tourism

Tourism can be divided as foreign and domestic tourism. However on the basis of purpose, nature of the intended to visit, duration of stay, According to Rudra Prasad Upadhaya, (2008) in his book, *Reading in Rural Tourism* he divides tourism as follows:

#### **Village Tourism**

Village tourism can be based in special areas, locality settlement and village with its typical peculiarity because a village rarely possesses verities or mosaic of specialties. Village tourism mostly attracts the middle level income people. Such urban environment must have tended toward the relaxation or change.

#### **Holiday/Pleasure Tourism**

Some tourists want to take a break from the busy life schedule, people, take some time off from work and travel to places away from where they reside. This type of tourism is referred to as holiday/pleasure Tourism. There are two types of sightseeing for Holiday/Pleasure Tourism. They are

Natural sightseeing: - under Natural Sightseeing sea beaches, rivers, waterfalls, lakes, mountain, caves, natural views, flora and fauna etc.

Manmade Sightseeing:-Manmade sightseeing encompasses zoos, museums, historical places, religious place, archaeological sites, festivals, exhibitions etc.

In Nepal too, the maximum number of tourist's i.e. 38% belongs to the Holiday/Pleasure type. In these contexts, speaking in terms of countries, India comes first followed by Japan, UK, and USA and so on.

#### **Agro-Tourism**

This type of tourism is a new concept in the field of tourism and this is the next side of tourism. It is an expanding sector around the world. It is an economic activity that occurs when people links travel with products, services and experiences of the agriculture and food system. Agro tourism includes farm bed and breakfast, farm vacation, horse riding, fishing, camping sites on farm, agricultural fair and festivals etc.

## **Adventure Tourism**

Some difficult activities which cannot be done by all people are done to earn name in the world. Doing this type of activities are known adventure tourism.eg bungee jumping, rafting, mountain climbing, skating, etc.

## **Health Tourism**

Health tourism can be defined as a kind of tourism in which visitors enjoy healthy environment. Tourist visit places for improving their health. Generally, health tourism spends much during the duration of his/her travel and length of stay is much more other than types of tourists. Tourism is prominent during certain suitable seasons. In Nepal, no record has been kept of the health tourists visiting yet it can be said that such tourists coming to the country in negligible, but is reported that people across border come to Nepal for various health treatment particularly in eye hospital.

## **Sports Tourism**

Sports tourism is an important part of tourism. It includes playing of games and enjoying looking different kinds of sports. Sports provide entertainment for both players as well as audience. To talk the condition of Nepal, it is not flourished well because of the lack of stadium, play ground, hall, etc.

## **Business and Conference Tourism**

Business is one of the important or main activities of the today's world. Many businessman and traders visit places to demand the goods and services and advertise their good and to exchange their goods.

## **Eco-Tourism**

Eco-tourism is very new concept in the field of tourism. It is related with the natural scene. First of all, the operator of Costa rica has used this world in 1983. This tourism is closely related within the concept of sustainable development. It is environment based or nature based tourism. So writers say that it is nature tourism. It is concerned and quite sensitive towards the local environment. Eco-tourism can be considered as one of the important part of

the rural tourism. Eco-tourism leaves very minimum or no impact upon the local environment, culture, and life style of the community.

### **Space Tourism**

Space tourism began from the beginning of the 21<sup>st</sup> century. This type of tourism involves visiting planets to study about them.

### **Cultural Tourism**

Cultural tourism involves visit to ancient monuments places of historical or religious importance. It enriches knowledge about different people and their culture. It is regarded as a force for cultural preservation. Cultural tourism has a great scope in a diversified country in term if culture and customs.

A cultural tourist is a person who undertakes journey especially with a view to having a look on and study of cultural resource of a region. Some elements of culture, which attracts tourists to the particular destination, are: Handcrafts, Language, Painting and Sculpture, Art and Music, History, Traditions and Dress etc.

### **Pilgrimage and Religious Tourism**

Any travel for religious purpose and the business of arraying for the needs and facilities of such visitors is known as Pilgrimage/Religious Tourism. Important religious sites and places of worship of different regions are located in various countries of the world. For examples, Mecca and Medina in Saudi Arabia for Muslims, Lumbini in Nepal for Buddhists, Pashupatinath in Nepal for Hindu etc. Tourism industry has also developed because of the people's religious belief, culture and faith.

In the context of Pilgrimage tourism, there are various attractive sites in different parts of Nepal such as Lumbini, Muktinath, Devghat, Triveni, Pashupatinath, Janakpur, Barahchhetra, and so on. Almost 15% of the visitors coming to Nepal are religious/pilgrimage tourists mainly from Srilanka, India and Japan in that order.

## **Historical Tourism**

By the term historical tourism, we mean all visiting activities related to historical places, museum, archaeological, traditional places etc.

## **Recreational Tourism**

This type of tourism has three important aspects. They are sand, sea and sex. People like to enjoy by sitting at seashore, sandbank with their lover, husband or wife, friends. They also want to swim in sea, to have delicious foods, etc. This type of tourism is known as recreational tourism.

### **3.4 Development of Tourism Industry since 1963**

After the dawn of democracy in 1950, Nepal began to open the doors to the foreigners with the desire to visit country in order to develop the tourist industry in the country. In fact, tourism in Nepal began with mountain tourism. The world's highest peak Mount Sagarmatha (Everest) was successfully ascended by Tenzing Norgay Sherpa of Nepal and Sir Edmund Hillary of New Zealand on May 29, 1953. The first successful ascent of these two peaks did much to publicize Nepal as a hot spot destination to the world.

In 1957 the Tourism Development Board was established to promote tourism industry in Nepal. In 1959, Nepal joined the membership of International Union of Official Travel Organization (IUOTO), present name, World Tourism Organization (WTO), and Pacific Area Travel Association (PATA) in 1963. Tourism had started maintaining the statistics of tourism and the number of foreign visitors to Nepal has been increasing every year since the beginning year, 1962, except in the years 1965, 1981, 1984, 1989, 1993, 2000, 2001, 2002, 2005 and 2008. The tourist arrival in 1962 was 6179 and after a decade in 1972 it reached 52,930, which was an increase by 8.6 times. (Tourism Fiscal Year 2013/14)

The number of foreign visitors to Nepal has been increasing at a rather high with the joint effort of UNDP and ILO, Hotel Management and Tourism Training Centre was established in 1972 with a view to produce trained manpower in tourism sector. This centre was renamed as Nepal Academy of Tourism and Hotel Management (NATHM) in 1999

Similarly, in the following decades in 1982, 1992 and 2002 the total number of tourist arrivals increased 1,75,448, 3,34,353 and 2,75,468 respectively which was an increase by 28.4, 54.1 and 44.6 times respectively in every decades in

Comparison to the year 1962 (Tourism Fiscal Year 2013/14)

In this respect, the notable efforts were the Tourism Master Plan 1972, Review of the Master Plan 1984, and defining of Tourism Policy in 1995. For the planned development of tourism in Nepal, Nepal government joined hands with the German government to prepare the 20-year 'Tourism Master Plan, 1972'.

According to the recommendation of this master plan, a separate Ministry of Tourism was established in 1977 with a view to enhance tourism properly in the country. The Tourism Ministry was named Tourism and Civil Aviation Ministry in 1991, and Culture, Tourism and Civil Aviation Ministry in 2000, in 1999 and its functions were transferred to the Tourism Ministry and Nepal Tourism Board. Presently, Tourism and Civil Aviation Ministry formulates the tourism related policies and Nepal Tourism Board does the work of promoting tourism in the country. After a considerable gap of 13 years, after the "Tourism Policy, 1995", with a view to timely reform and change the tourism sector the government brought the second "Tourism Policy, 2008" (2065 B.S), in 2008.

The total number of tourist arrivals 6, 02,867 in the year 2010 reached 98 times increase in comparison to the beginning year 1962. In the year 2011, 2012, 2013 the number of tourists 736, 215, 803,092 and 797,616 respectively came to Nepal. (Tourism Fiscal Year 2013/14)

The Special features of this new policy include attracting more tourists, marking "Visit Nepal Year" or "Nepal Tourism Year" in designated years. It also envisages making Nepal an all season destination for tourists. Later the government declared the 2011 as "Tourism Year 2011". The government declared 2012 as Lumbini Year and able to attract more tourists as compared to other years.

Political and social factors are also important to attract the international tourists. If the tourists get favourable environment the number of tourist are arriving rapidly. But in the case of Nepal since the year 2009 to present time our constituent could not be made and it directly gives negative impacts for the tourists so the ministry of civil aviation cannot fulfil its target to enter more tourists.

### 3.5 Motivation to Travel

Travelling from one place to another place is itself a pleasure moments. Most of the people in the world wants to visit in the new places and exchange their feelings and experiences. People can get a lot of knowledge by dwelling the new places. They have got refreshment and recreation. People do not have special propose to visit the new places but the motivating factors play the major role. Very few countries in the world can offer as many varieties of adventure tourism package as Nepal do Nepal the birth place of Lord Buddha and the highest peak of the world Sagarmatha. Among fourteen peaks above eight thousand meters in the world are located in Nepal, besides that Nepal posses 1310 mountain peaks.



## 4. TOURISM BACKGROUND IN NEPAL

Nepal is uniquely endowed with rich and diverse natural and cultural things, due to its geographical location between two giants' countries Nepal and India is the advantageous points to welcome the tourists. Incomparable cultural heritage and environmental spectrum make the country as a land of heavenly pleasure for all types of tourists. Tourism in Nepal is a sector of comparative advantage which can be instrumental tool to generate the national income of Nepal. It helps to build peace prosperity among the Nepalese people. Nepal has gained popularity due to its enchanting places, the main places or tourist destinations are as follows:

### 4.1 Tourist Destination /Popular Places

**Kathmandu:** The capital city of Nepal is rich with panoramic views and temples. The Kathmandu Valley posses seven cultural World Heritage Site list with different historical monuments, old places and place of squares shrines and temples, ageless traditions and legends are able to cherish the tourists from the world. Pashupatinath which is the holiest Hindu temple in the world situated in Kathmandu. Kathmandu Durbar Square, Patan Durbar Square and Bhaktapur Durbar Square, Bouddha Nath, Swoyambhunath and Changunarayan are the place which attracts tourists day by day.

**Pokhara:** A tranquil and enchanting hub of tourists. Pokhara is considered as the center of Nepal's most popular trekking and rafting destinations. It is the lake city having seven beautiful and famous lakes with the sightseeing of Machhapuchhre and Annapurna in the lap of city. The tourists can get lot of amenities and pleasure with fishing, swimming, canoeing, paragliding and boating along with the views of beautiful Himalayas and mountains. The favorable weather and co-operative people of Pokhara is another plus point to attract the tourists from the world.

**Lumbini:** The birth place of Lord Buddha is the sacred place and a small town in the southern Terai plains of Nepal, where the ruin and historical city can be seen. It is a holy ground for Buddhist and non Buddhist people. The importance of Lumbini mainly began after the discovery of pillar of Ashoka on Its December 1896.Lumbini has a special meaning as a place of mediation and spiritual renewal where it also acts as a center of cultural exchange and a symbol of peace. This is one of the most important reasons behind the high

acclamation of Nepal and is treasured heritage of the country. Lumbini is the Buddha's birth place and declared as a world heritage site to attract more religious and leisure tourists to visit Lumbini.

These above popular places have been visited by the tourists frequently. Most of the tourists who visit these places recommend their friends to visit places. These places have a scope to generate the foreign exchange which helps to collect national revenue. Despite the overall potentialities, the Nepal Government should have launched different programs to attract more tourists from the world.

#### 4.2 Tourists Activities

**Rafting:** Nepal is second rich country of water resources having the rivers and lakes. Rafting in Nepal is usually a wilderness experience in that most rivers don't have highways alongside them but it's a soft, tamed wilderness with white beaches for camping, clean blue rivers and friendly locals. Nepal has earned reputation as one of the best destinations in the world for white water rafting. Some famous rafting destinations are Karnali River, Trishuli River, Arun River, Bheri River, Kali Gandaki River, Sunkoshi River, Seti River, Tamor River Marsyangdi River etc.

**Trekking:** Nepal, the mountainous country has been called as a trekker's paradise. Himalayas, mountains, scenic hills and the luxuriant Terai offers some of the spectacular trekking routes in the world. Trekking in Nepal is a lifetime experience which involves a certain degree of physical fitness owing to the rugged topography. Nepal is the perfect place for trekkers and adventure seekers and who wants to treasure the hidden glory in trekking. The famous trekking places of Nepal are: Everest region trekking, Langtang region trekking, Makalu region, Narphu valley, Sailung, Kalinchok, Ghalegaun, Ghandruk etc.

**Mountaineering:** The highest peak of the world Mt. Everest is one of the attraction point for the tourists. Eight of the world's fourteen highest mountains are in Nepal. Many mountain climbers want to climb this peak. The mountains and Himalayas have stood as landmark for the world's adventure since Nepal opened its door to visitors in the 1950s. The Nepal government has opened the 33 trekking peaks of

**Paragliding:** Paragliding is one of the most adventurous amenities for the tourist from which tourists can get Ariel view of natural beauty. Most of the paragliding entrepreneurs get lot of

foreign exchange. Nepal has the favorable topography and geography for the paragliding. Pokhara, Gorkha, Dolakha, Banepa offers this service to the tourists. Due to the paragliding many tourists come to Nepal.

**Jungle Safari:** In Nepal tourists can enjoy by dwelling the forest on elephant back or jeep rides. Tourists can get lot of amusement from safari, and they get chance to know the natural habitat of wild life. Especially the tropical forest of Terai region preserves the best wild life habitat in the subcontinent. The famous destinations points of Jungle safari are: Chitwan National park, Bardiya national park, Parsa wildlife reserve and Shuklaphanta wild life reserve.

**Bungee Jumping:** The Bunge jumping site is located close to Nepal-China border at Barabise. Tourists from the different countries visit the place to get entertainment from this. Nepalese bungee jumping site is situated 160 meters over the ranging Bhotekoshi River in the northern part of the country.

**Hunting:** For the Hunting reserves in Nepal where is license hunting is allowed. Dhorpatan is the prime habitat of blue sheep like Ghoral, Serow, Black Bear, Pheasant and partridge. Endangered animals like Red Panda, wolf, Musk Deer and Danphe. Hunting is allowed only after obtaining license from department of national parks and wildlife reservation in Kathmandu and is restricted to certain times of the year. Most hunting trips are planned in spring and onset of autumn from February through April and August through October. The reserve begins at 3000 meters and reaches as high as 7000 meters. For the purpose of hunting several kinds of tourist come to Nepal.

**Ultra Light Aircraft:** Ultra Light aircraft is very famous in the Pokhara, the beautiful city. It offers the services like sightseeing of the great Himalayas, lakes and mountains by the flight. Flights are operated almost from throughout the year except in the monsoon season June through August. Flights take place from sunrise 11 am and 3 pm to sunset.

**Fishing/Boating:** Nepal is very famous of water sport. Approximately 118 varieties of fishes are found in the Himalayas River and mountain stream. Fishing tips generally organized before and after the monsoon from February through April and October through November. Rainbow trout fish is very famous in the stream water. In the Terai region there are numerous

of lakes and ponds which is popular for boating. The most boating destinations are Phewa Lake, Rara Lake, Begnas Lake. (Source [www.tourism.gov.np](http://www.tourism.gov.np))

### 4.3 Efforts of Nepal Tourism Board

In order to increase national production and income, expand the earning of foreign currencies, create opportunities for employment, improve regional balance and develop the image of Nepal in international community, Government of Nepal has formulated and established Nepal Tourism Board for the development of policies and programs. Nepal Tourism Board is a national organization which is established in 1998 by an act of parliament in the form of partnership between Government of Nepal and private sector of tourism industries to develop the market of tourists as a destination. NTB is promoting Nepal in the domestic and international market and is working towards repositioning the image of country. It aims to regulate product development activities in the future. Fund for NTB is collected in the form of tourists' service fee from departing foreigner passenger at the Tribhuvan International Airport, Kathmandu thus keeping it financially independent. The board is formulated with 11 board members with five government representatives, five private sector representatives and the chief executive officer.

For the tourist information is given:

Tourists Service Center, Bhirkuti Mandap Kathmandu, Nepal + 977-014256909

Fax + 97714256910

Email: [info@ntb.org.np](mailto:info@ntb.org.np) **Website:** [www.welcomenepal.com](http://www.welcomenepal.com)

(Source [www.welcomenepal.com](http://www.welcomenepal.com))

Since tourism industry is a multi-sectored concern, its linkage with policies and institutions in the public and private sectors become important. Tourism planning has received attention of development planners of Nepal from very beginning of economic planning. Till the beginning of democracy, planned development of tourism began as soon as Nepal endeavored for national planning and Government of Nepal has accorded priority to Nepal Tourism Board in various plan periods (NTB 2011).

In Nepal one can find the different cultures, customs, historical monuments, religious sites and the kind hearted Nepalese people are the advantageous points which attract the tourist. So for the tourist Nepal can be taken as the garden for relaxing and leisure pleasure. Due to this reason number of visitors by important market segments, arrival months, nationality, airlines,

availability of hotels beds in some cities, number of operators like guide, trekking and travel agencies, tour operators, foreign currency is generated by the tourism.

Nepal a beautiful country having an amazing array of mysterious attraction places for all types of tourists. The panoramic views and landscape across the country unusually diverse are ranging from Himalayas Mountains in the north to the humid Terai in the south posses so many attracting things. The below table is about the tourists survey from 1963 -2013. Tourist arrival in September and October are estimated from past trend.

**Table 1 Tourist arrival and average length of stay, 1963-2013**

Year	Total		By Air		By Land		Average length of Stay
	Number	Annual Growth Rate (%)	Number	Percent	Number	Percent	
1963	7275	17.7	–	–	–	–	–
1964	9526	30.9	8435	88.5	1091	11.5	–
1965	9388	-1.4	8303	88.4	1085	11.6	–
1966	12567	33.9	11206	89.2	1361	10.8	–
1967	18093	44.0	15064	83.3	3029	16.7	–
1968	24209	33.8	19717	81.4	4492	18.6	–
1969	34901	44.2	28130	80.6	6771	19.4	–
1970	45970	31.7	36508	79.4	9462	20.6	–
1971	49914	8.6	40369	80.9	9545	19.1	–
1972	52930	6.0	42484	80.3	10446	19.7	–
1973	68047	28.6	55791	82.0	12256	18.0	–
1974	89838	32.0	74170	82.6	15668	17.4	13.20
1975	92440	2.9	78995	85.5	13445	14.5	13.05
1976	105108	13.7	90498	86.1	14610	13.9	12.41
1977	129329	23.0	110180	85.2	19149	14.8	11.60
1978	156123	20.7	130034	83.3	26089	16.7	11.84
1979	162897	3.9	137865	85.0	24411	15.0	12.02
1980	162897	0.4	139387	85.6	23510	14.4	11.18
1981	161669	-0.8	142084	87.9	19585	12.1	10.49
1982	175448	8.5	153509	87.5	21939	12.5	13.33
1983	179405	2.3	152470	85.0	26935	15.0	11.53
1984	176634	-1.5	149920	84.9	26714	15.1	10.55
1985	180989	2.5	151870	83.9	29119	16.1	11.30
1986	223331	23.4	182745	81.8	40586	18.2	11.16
1987	248080	11.1	205611	82.9	42469	17.1	11.98
1988	265943	7.2	234945	88.3	30998	11.7	12.00
1989	239945	-9.8	207907	86.6	32038	13.4	12.00
1990	254885	6.2	226421	88.8	28464	11.2	12.00
1991	292995	15.0	267932	91.4	25063	8.6	9.25

1992	334353	14.1	300496	89.9	33857	10.1	10.14
1993	293567	-12.2	254140	86.6	39427	13.4	11.94
1994	326531	11.2	289381	88.6	37150	11.4	10.00
1995	363395	11.3	325035	89.4	38360	10.6	11.27
1996	393613	8.3	343246	87.2	50367	12.8	13.50
1997	421857	7.2	371145	88.0	50712	12.0	10.49
1998	463684	9.9	398008	85.8	65676	14.2	10.76
1999	491504	6.0	421243	85.7	70261	14.3	12.28
2000	463646	-5.7	376914	81.3	86732	18.7	11.88
2001	361237	-22.1	299514	82.9	61723	17.1	11.93
2002	275468	-23.7	218660	79.4	56808	20.6	7.92
2003	338132	22.7	275438	81.5	62694	18.5	9.60
2004	385297	13.9	297335	73.9	87962	22.8	13.51
2005	375398	-2.6	277346	73.9	98052	26.1	9.09
2006	383926	2.3	283819	68.5	100107	26.1	10.20
2007	526705	37.2	360713	74.9	165992	31.5	11.96
2008	500277	-5.0	374661	74.4	125616	25.1	11.78
2009	509956	1.9	379322	74.4	130634	25.6	11.32
2010	602867	18.2	448800	74.1	154067	25.6	12.67
2011	736215	22.1	545221	74.5	190994	25.9	13.12
2012	803092	9.1	598258	74.6	204834	25.5	12.16
2013	797616	-0.7	594848		202768	25.4	12.60

Sources; Tourism Fiscal Year 2013/14 Government of Nepal Ministry of Finance 2014  
<http://www.tourism.gov.np/uploaded/TourismFiscal Year 2014.pdf>

From the above Table No.1, in 1963, 7275 tourists visited Nepal. In 1964, 8435 tourists came to Nepal by Air and 1091 came in the country by using the land. The data shows most of the visitors came to Nepal from the western land. Since the time of 1974 the average length of stay for the tourists mentioned 13 days in the data. The number of tourists in 1990 went up to 254,885 who visited Nepal. The above table shows the number of tourists visiting Nepal increasing way but there was a slight decline in 1981, 1984 and 1989. These declines may be the causes of political turmoil and world recession outside the country. As compared to the past data in 2013, the number of tourists were falling down. During the year 594,848

tourists came to Nepal by air and 202,768 tourists came through the land. And the average length of stay was only 12 days.

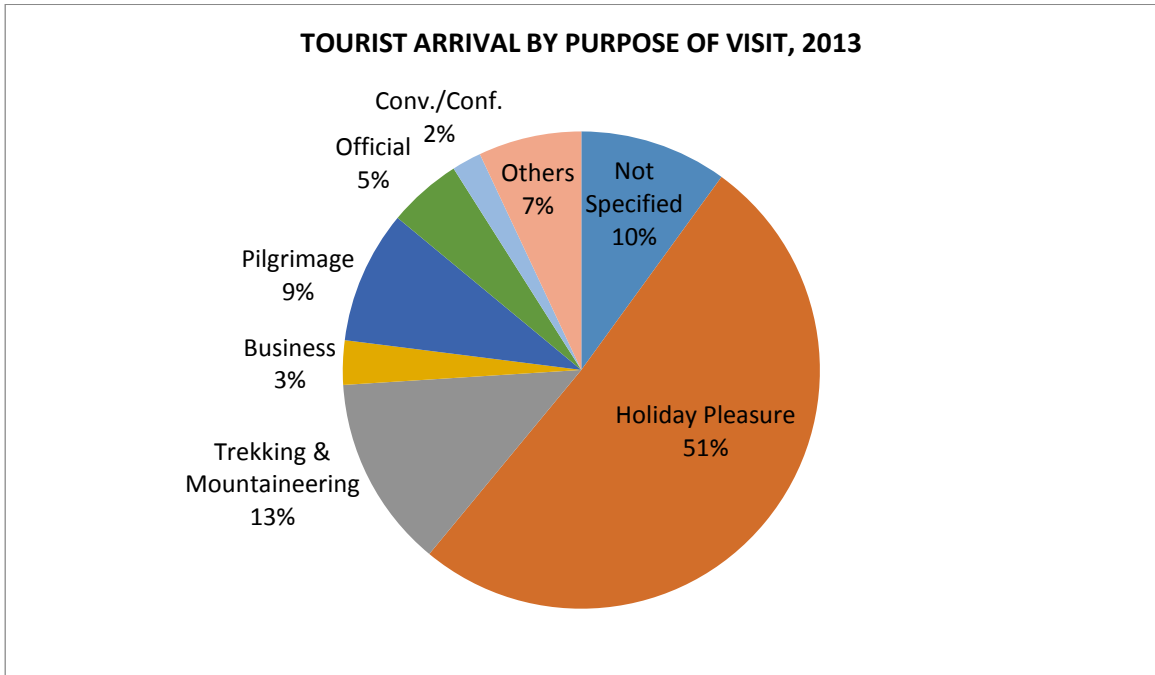
**Table 2 Top five countries with largest number of tourist's arrival**

<b>Top Five Countries</b>	<b>Percentage from 2013-2014</b>
India	23%
China	11%
Srilanka	7.5%
USA	7.3%
United Kingdom	4.7%

Sources; Tourism Fiscal Year 2013/14 Government of Nepal Ministry of Finance 2014  
<http://www.tourism.gov.np/uploaded/TourismFiscalYear2014.pdf>

From Table 2 analyzing the number of tourist arrivals on country-wise basis, top five countries with largest number of tourist's arrivals during the period of January 2013 to January 2014 have been India (23.0 percent) followed by China (11.2 percent), Sri Lanka (7.5 percent), USA (7.3 percent) and United Kingdom (4.7 percent) respectively. The aforementioned countries have remained as top 5 countries visiting Nepal for last 10 years. From these countries Nepal has earned foreign currency as well.





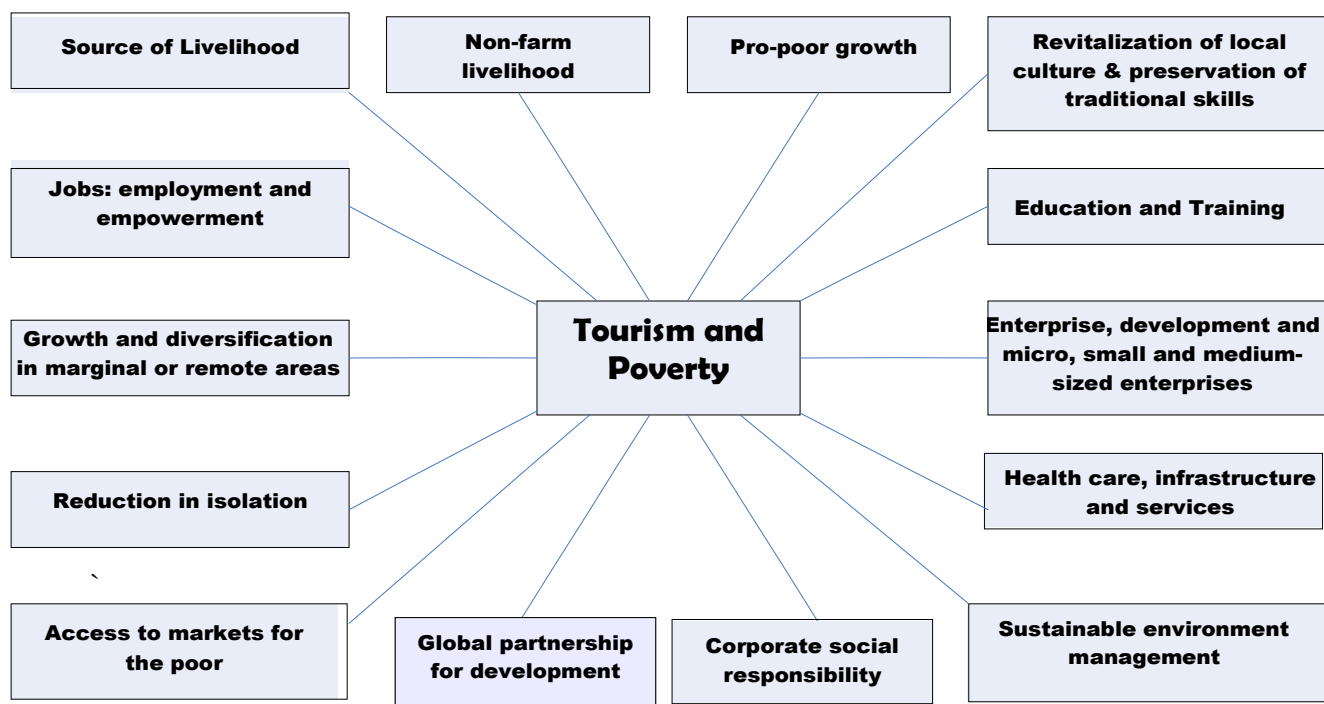
**Figure 1 Tourist Arrival by Purpose of Visit, 2013**

Sources; Travel and Tourism Economic impact, 2014

The total numbers of tourists visiting Nepal the periods of 2013. In the above chart, in 2013, tourists from world came to Nepal with different purpose of visit. Majority of the tourists 51% visits Nepal for holiday pleasure. Nepal is famous for Trekking and Mountaineering, 13% tourists visit the country for this purpose. There are many religious sites and pilgrim places like Lumbini, Pashupatinath, Janakpur 9% pilgrimage came during this year. 10% tourists were not specified. Some tourists visited Nepal for the purpose of business, official and conference too.

#### 4.4 Economic Impacts of Tourism

Nepal earns foreign currency equivalent of NRs. 34.21 billions. The sector provides employment for about 20 percent of economically active population and directly contributes around 3.0 percent on gross domestic product (GDP). Tourism has been a dynamic and the fastest growing service industry. It holds an indispensable position among the drives of economic growth of the country and facilitates for the peace and harmony (Ghimire, 2013; Gautam, 2009). Having the low per capita income of Nepalese people, the tourism sector contribute a lot to the poor people .Here the figure shows the relationship between poverty and the tourism.



**Figure 2 Tourism and Poverty**

Source: Modification of Sheet No 3: Tourism and Poverty Reduction Making the Links, ro-poor Tourism Partnership 2004, adapted from UN (2007), Study on the Role of Tourism in Socio-Economic Development.

The above figure N.2 shows the linkage between Tourism and Poverty. Since the time of tourist arrivals in the Nepal, they have been contributing in so many fields. Especially, it gives direct impact to the people. People are taken this tourism sector as a source of livelihood. People from hilly region and Himalayas region, doing the job and business related to tourism. Sherpas, Tamang, Gurung and from other ethnic groups can get lot of income generating jobs.

The poverty of Nepal is somehow decrease due to the role of tourism. Many people can get short as well as long term jobs which help to change the people's lifestyle. By the help of tourism industry Nepalese people are empowered by sharing the cultural patterns and knowledge with the tourists. Due to the tourist destination in the rural areas of Nepal, the poor infrastructure has been developed in the good form like airport, information centre, hotels and lodges.

Due to the tourist people are too busy on their income generating work or business which helps to reduce the isolation and loneliness. Before the arrival of tourist's poor people of Nepal did not have access to the market but today they can. Tourism industry can help to join the country in the international arena. Nepal, being the member of W.T.O, UNCTAD, UNO, SAARC getting a lot benefit from these groups. Nepalese people do have the concept of corporate social responsibility too by promoting tourism.

Clean and fair environment are loved by every people. To attract the tourists people are aware to make the environment clean and tidy. Eco-tourism is also the one of the form of tourism. Due to the tourism, it gives the benefit to health sectors, to build the infrastructure services. Nepalese are engaged by doing small enterprises like hand craft business, trekking agency and big enterprises like five star hotel and other expensive amenities are operated for the tourists who helps to minimize the poverty of the country.

Most of tourists came to Nepal as a guest lecturer and gives us the knowledge and some are giving the educational and vocational training to the people. Nepal is famous for its unique types of arts sculpture and traditional skills related with hand craft. People are doing business of these things, especially in the Kathmandu valley. Tourism helps to revitalize the local culture. Due to the tourism industry in Nepal it helps for pro-poor and non-farming groups.

**Table 3 Gross Foreign Exchange Earning from Tourism by Fiscal Year, 2001-2014**

Fiscal Year	Total Earnings(Net received)			% Change in US\$
	NRs	Annual Average Exchange Rate	US\$(000)	
2001/2	11969174		162513	4.3
2002/3	7798535		101628	-37.5
2003/4	10369409		134245	32.1
2004/5	12337977		168163	25.3
2005/6	11814853	71.76	164644	-2.1
2006/7	11710893	—	162086	-1.6
2007/8	12645761	70.19	180165	11.2
2008/9	20339890	64.72	314275	74.4
2009/10	27959800	76.58	365106	16.2
2010/11	28138600	74.24	379022	3.8
2011/12	24610800	72.07	341485	-9.9
2012/13	30703820	80.72	380374	11.4
2013/14	34210576	87.66	390264	2.6

Sources; Nepal Rastra Bank

<http://www.tourism.gov.np/uploaded/TourismStat2013.pdf>

Table no.3 shows the changing pattern of major contributors of foreign exchange earnings. The survey shows 2001/2 total earnings is NRs 11,969,174 and USD162,513 and 4.3% changed. But in the fiscal year 2002/3, due to the decline of tourists flow Nepal had not gained the amount as in the previous year. In the year 2005 the average exchange rate was 71.76. 2011/12 year was not favourable for the Nepalese economy because of the political disturbance movement Nepal earned only 24,610,800. In the year 2013 Nepal was able to earn 34,210,576 which were good earnings.

In Nepal, tourism receipts are viewed as major contributor in maintaining the balance of payments which helps to increase our GDP. Tourism receipts in any country, primarily depends on its demand for Nepalese tourists which is governed by words of mouth, income, own price and cross price variables in the long run and words of mouth and instabilities in the short run (Paudyal, 1993, 2012). Tourism receipts not only one of the earners of foreign exchanges but also the contributor to the government exchequer. Tourism thus can have a major effect on a country's balance of payments.

**Table 4 Foreign Exchange Earnings from Tourism, 2000/01- 2012/13**

<b>Year</b>	<b>Total Foreign Exchange Earning from Tourism(Rs in millions)</b>	<b>As % of Total Value of Merchandise Export</b>	<b>As % of Total Value Of Export of Goods and Non Factors Services</b>	<b>As % of Total Foreign Exchange Earnings</b>	<b>As % of GDP</b>
2000/01	11717.0	16.8	11.8	5.7	2.7
2001/02	8654.3	14.9	10.6	4.8	1.9
2002/03	11747.7	23.1	15.2	6.1	2.4
2003/04	18147.4	32.9	20.3	8.0	3.4
2004/05	10464.0	17.5	12.2	4.7	1.8
2005/06	9556.0	15.5	10.9	3.6	1.5
2006/07	10125.0	16.5	10.8	3.7	1.4
2007/08	18653.0	30.1	17.9	5.5	2.3
2008/09	27960	40.0	22.8	6.5	2.8
2009/10	28139.0	44.5	24.6	8.1	2.4
2010/11	24611.0	35.8	20.2	5.0	1.8
2011/12	30703.8	37.7	20.0	4.8	2.0
2012/13	34210.6	39.8	18.9	4.7	2.0
2013/14	30430.0	44.9	20.4	4.9	–

Sources; Nepal Rastra Bank

<http://www.tourism.gov.np/uploaded/TourismStat2013.pdf>

Table 4 shows the changing pattern of major contributors of foreign exchange earnings from the year 2000/2001-2013/14. Rs11,717.0 million earning from tourism where as merchandise export was 16.8% and, value of export non factor service contribute 11.8% , total foreign exchange was limited in 5.7% and the tourism sector contribute to 2.7% to GDP during the year. Tourism's contribution to the total foreign exchange earnings has remained almost at the same level in 2013/14 compared to 2000/01, as we see the percentage of GDP in the above table. But it is highly fluctuating over the years between the two points of time mentioned. From 2005-2007 Nepal could not earn the foreign exchange in comparison to the previous years, in these two years GDP % 1.5 and 1.4 respectively. The year 2013/14 is not favourable to earn foreign currencies from tourism sectors. In this year total foreign exchange earnings is 30,430.0 million rupees, total value merchandise exports is 44.9%, total value of exports of goods and services is only 20.4% and the total foreign exchange earnings is 4.9%.

The tourism sector of Nepal has been an important sector since the time Nepal opened the door for the tourists in generating foreign exchange and employment in the country. It is a

economic growing sector with huge potentials for investment and development (Afram and Del Poro 2012; Enterprise Europe Network, 2006). The Flora and Fauna and other herbs make the country more beautiful which is taken as the prime attraction for the benefit to the national economy.

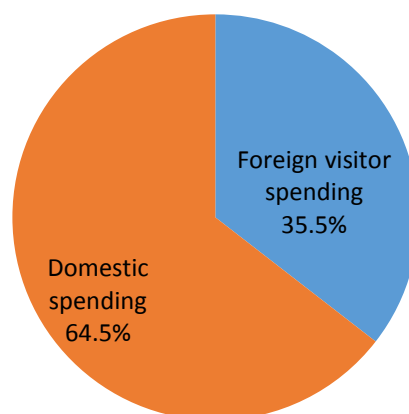


**Figure 3 Foreign Exchange Earnings from Tourism**

Sources; (Tourism Fiscal Year 2013/14 Government of Nepal Ministry of Finance 2014 <http://www.tourism.gov.np/uploaded/TourrismFiscal Year 2014.pdf>)

From the figure N.3 it is seen as the trend of tourists' arrival since 2002/2003 to 2012 showed an increasing trend, the number of tourist arrivals between January 2013 and 2014 totalled 797,759. This figure is less by 0.7 percent as compared to the corresponding period (January 2011 to January 2012) of last year. The average length of stay per tourist during the period of January 2012 to January 2013 stood at 12.6 days. Though this figure is slightly lower as compared to that of previous year, per capita length of tourists stay for the last 10 years has averaged around 12 days. The total numbers of tourists based on their tours and travelling purpose would serve as an indicator for measuring tourism sector's return. This indicator has been crucial for analyzing tourists' specialty, types and their economic activities, and preparing demand-based market management and promotional plans for the tourism sector.

## Nepal Travel and Tourism Contribution to GDP Domestic vs. Foreign, 2013



**Figure 4 Nepal Travel and Tourism Contribution to GDP Domestic vs. Foreign, 2013**

Sources; Travel and Tourism economic Impact 2014, Nepal

In Nepal the role of internal or domestic tourists' role is important to generate the national revenue. Domestic travel spending generated 64.5% of direct Travel & Tourism GDP in 2013 compared with 35.5% for visitor exports (i.e. foreign visitor spending or international tourism receipts). Domestic travel spending is expected to grow by 8.7% in 2014 to NPR77.3bn, and rise by 4.2% pa to NPR116.1bn in 2024. Visitor exports are expected to grow by 11.9% in 2014 to NPR43.8bn, and rise by 6.0% pa to NPR78.8bn in 2024.

**Table 5 Percent Distribution of Employee by Employment Status, Gender and types of Industries**

Industry Type	Employment Status									No of industry	Average employed per industry
	Self Employed			Employee			Total				
	Male	Female	Total N	Male	Female	Total N	Male	Female	Total N		
Star Hotel	80.0	20.0	95	78.2	21.8	4664	78.2	21.8	4739	37	128
Tourist Standard Hotel	86.9	13.1	236	72.5	27.5	1823	74.1	25.9	2059	48	43
Home Stay	44.2	55.8	165	37.7	62.3	53	42.7	57.3	218	18	12
Trekking Agency	84.1	15.9	44	90.0	10.0	659	89.9	10.1	703	23	29
Travel Agency	77.6	5.9	85	82.4	17.6	393	81.4	18.4	478	40	12
Rafting Agency	100	0	22	95.4	4.6	173	95.9	4.1	195	13	15
International Airline	0	0	0	82.9	17.1	1325	82.9	17.1	1325	3	442
Domestic Airline	92.3	7.7	13	79.9	20.1	1561	80.0	20.0	1574	4	394
Other Paragliding Ultra light	78.3	21.7	23	67.0	33.0	97	69.2	30.8	120	6	20
<b>Total</b>	<b>74.5</b>	<b>25.5</b>	<b>683</b>	<b>80.6</b>	<b>19.4</b>	<b>10728</b>	<b>80.3</b>	<b>19.7</b>	<b>11411</b>	<b>192</b>	<b>59</b>

Sources; Tourism Survey Ministry of Culture, Tourism & Civil Aviation Planning & Evaluation Division Statistical Section 2014

From the table no.5 it is seen that 11,411 persons employed in the 192 tourism industries visited during the survey. In Nepal altogether there are 37 industries in the category of star hotels. The number of self employed male and female are 95 where as 4644 are employees. The total number of self employed and the employees are 4,739. Nowadays home stay is popular in Nepal, altogether there are 18 home stay and the self employed from home stay is 165 where as employees are 53. Trekking agency, travel agency, rafting agency, international airline, international airline, domestic airline, and paragliding are the type of industry which produce the self employment and employees people. The total male and female self employed number is 683. 10728 number of male and female are getting the jobs as employees in the tourism sector.



According to the report of Travel and Tourism Economic Impact 2014 the employment growth rate is by 6.4% in 2014 to 536,000 (33% of total employment). This includes employment by hotels, travel agents, airlines and other passenger in transportations services. Travel & Tourism will account for 762,000 jobs directly, an increase of 3.6% pa over the next ten years. The total contribution of Travel & Tourism to employment (including wider effects from investment, the supply chain and induced income impacts, see page 2) was 1,112,000 jobs in 2013 (7.0% of total employment). This is forecast to raise by 6.5% in 2014 to 1,184,000 jobs (7.3% of total employment). By 2024, Travel & Tourism is forecast to support 1,696,000 jobs (8.5% of total employment) (Travel and Tourism Economic Impact 2014)

## 5. EFFECT OF TOURISM IN NEPALESE ECONOMY

Nepal is a country of scenic beautiful views with natural, cultural, traditional heritage. Nepal is a landlocked country having the potentiality of different types of tourists. As compared with two giants India and China, Nepal still remains underdeveloped country. Nepal has been able to prosper so much economically or even infrastructure wise in all these years but not achieved the expected economic growth. The neighboring country has achieved the two digits in the GDP, where as Nepal is limited only in the 5% GDP.

So, here Tourism industry is taken as the main source of national economy. It might be the potential sectors for the economic development of Nepal. It might be the major source of economy which provides employment in both urban and rural areas and will help to reduce the line of poverty. Nepal has initiated various activities to promote the tourists in international as well as in domestic market. Nepal has already celebrated Visit Nepal 1998, Nepal Tourism Year 2011, Visit Lumbini Year 2012, and Everest Diamond jubilee 2013. Tourism is given so priority due its income generating features. More than 1.50 million people are employed directly or indirectly by the help of this industry.

### 5.1. Contribution of the Tourism Sector to Economic Growth

Nepal is considered as the famous and popular destinations for all the types of tourists'. Since the time of tourists inception Nepal has been getting lot of advantages and benefits from the tourism industry. According to UNCTAD tourism creates Job and helps to build domestic capacity building and poverty reduction depends on the following factors.

- a. The extent to which the tourism sector is integrated in to the national economy through backward and forward linkages with other sectors and integretation in to regional and global value chains.
- b. The extent to which revenue generated by tourism, including foreign exchange, is used to finance infrastructure development, support local enterprises, in particular small and medium-sized enterprises (SMEs), and to develop the skills and institutions needed to create a vibrant local economy;

- c. The policies and strategies adopted by governments, and whether they encourage increased domestic and foreign investment in tourism, transfer of technology and know-how; promote labor-intensive activities; and target regions where the poor live and work;
- d. National efforts to ensure that tourism activities are carried out sustainably and meet economic, social and environ/mental objectives (UNCTAD **2013**).

## 5.2 ECONOMIC BENEFITS OF TOURISM

Nepal can get lot of advantages by promoting the tourism industry as follows:

- Earn foreign currency and other income gaining jobs in the economy
- Creates part time or full time job and helps to make family and community prosperous.
- Helps to diversify and stabilize the Tourism economy.
- Provide broader business base for the community and creates an opportunity for attracting other business and small industries.
- Tourism provides the opportunities for existing business and services.
- Due to the arrival of tourists, the industry competes at international level; and producing and serving with branded and original things.
- By displaying and exposing the ancient and cultural items to the tourists helps to increase the expenditure level.
- Most of the unskilled boys and people have got the jobs like guides, porters and postcard sellers. It is found that tourism is beneficial to the local people. They have benefited from the opportunities availed by tourism.
- Contribution in Development Infrastructure and Improvement of Living Standard like in dress pattern and food pattern with different dishes.
- Local people of the particular places make the good and friendly relationship with foreigners and some might have got chance to visit the abroad.
- Nepalese people get chance to learn foreign language which is very useful to compete in the global world for the job or business.

- Due to the tourism industry people of the country get chance of dressing pattern , so the it helps to increase the demands of the textile.
- Local people are getting more facilities from infrastructure development. Tourist arrival is increasing every year is good signal although tourists expenditure ration is decreasing.
- Influence and imitation of western style is increasing especially on young generation they are more individualistic and materialistic.
- It eventually helps for the industrial and commercial development as well as conservation of heritage and environment the economic transformation.
- Tourism income will diversify the revenue income and reduce its dependency on foreign loans and assistance.
- Tourism is a dynamic and competitive industry that requires the ability to constantly adapt to customers' changing needs and desires, as the customer's satisfaction,

### 5.3. Prospects of Tourism in Nepalese Economy

Officially Nepal has been opened the international tourism in the year 1951. Since then, Nepal has managed to attract tourists as a preferred destination for nature, culture and adventure in world tourism with a variety of tourism products on offer (Ministry of Tourism and Civil Aviation, 2009). The tourism sector has received the government's continuous attention since the formulation of the first five-year development plan (1956-1960), which identified the need for infrastructure development in tourism. Accordingly, infrastructure and tourism institutions were gradually developed in succeeding five-year plans. The Tourism Development Board was set up in 1957 as Nepal's first tourism organization. Royal Nepal Airlines Corporation (RNAC) was created in 1958 and the Department of Tourism was established in 1959. Tourism received legislative reorganization only in 1962. The third national development plan (1966-97) aimed to increase the number of tourists visiting the country while streamlining related foreign exchange earnings, developing infrastructure and promoting Nepal on the international market. By 2009, various institutional, managerial, administrative and legislative reforms were complete (Ministry of Culture, Tourism and Civil Aviation, 2014a).

The Ministry of Culture, Tourism and Civil Aviation (MoCTCA) aims to increase annual international tourist arrivals to 2 million and increase employment in the tourism sector to

one million by 2020 (Ministry of Tourism and Civil Aviation, 2009). However, it is difficult to achieve these goals with the current level of investment and infrastructure. As such, the trend of international tourist arrivals in Nepal has not been encouraging. While the flow of international tourists reached a high of 803,092 in 2012, it declined to 797,616 in 2013. The average length of stay for tourists was estimated to be 12.6 days in 2013 and 12.2 days in 2012. Similarly, the average daily expenditure of tourists is estimated to have increased to 42.8 US Dollars in 2013 from 36.2 US Dollars in 2012 (Ministry of Culture, Tourism and Civil Aviation, 2014b)

The higher exchange rate is believed to have led to this increase of the economic growth of Nepal which is related with employment generation and poverty alleviation (National Planning Commission, 2010). However, the MoCTCA does not have a reliable information system of monitoring the employment generated by the tourism sector as well as its contribution to the national economy. Although the MoCTCA has been compiling tourism statistics since 1962, it does not include employment and income indicators. Therefore, in addition to the collection of routine data on tourist arrivals and departures, periodic surveys about inbound, outbound and domestic tourism and expenditure in different sectors should be carried out. This will help to generate reliable data to estimate the contribution of the tourism sector to the country's GDP.

As Nepal Rastra Bank (NRB) estimate indicates that the contribution of the tourism sector to the national GDP increased to 2% in 2013, compared to 1.8% in 2012 (Nepal Rastra Bank, 2014). The Central Bureau of Statistics' (CBS) National Account Indicators also states that the contribution of tourism to the national GDP is 1.97% (Central Bureau of Statistics, 2014). These figures are alleged to be under-estimates of the real contribution of the tourism sector because the data used to generate the tourism sector's contribution to the GDP only covers hotels and restaurants, which constitute only a small sector of the tourism industry.

Tourism is also an important contributor to generating employment in Nepal. However, reliable data on the total employment generated by this sector is not available. The Economic Survey 2013 states that the direct employment generated by tourism in 2013 was 178,000; however, there is no scientific basis for this estimate. To account for the lack of inadequate data on the contribution of the tourism sector to national economy and employment, the statistics section of the MoCTCA conducted this tourism employment survey 2014. This survey will be able to provide a better picture of the impact of tourism on employment and

ultimately support estimate contribution of tourism to employment and the national economy.

(Source Tourism Survey Ministry of Culture, Tourism & Civil Aviation Planning & Evaluation Division Statistical Section 2014)

Tourism sector plays the vital role for income generating jobs. By the help of tourism, many modern standard hotels and other related industries are operated from where thousands of Nepalese people are getting jobs and earn foreign currencies from the small as well as big enterprises. Many welfare programmes are operated and make the people so empowered to compete in the global world.

Strong export performance, including earnings from tourism, and external aid has helped improve the overall balance of payments and increase international reserves.

**Table 6 Some Economic Indicators of Hotel and Restaurant (NSIC CATERGORY) by Fiscal Year 2004/5-2012/13**

<b>Economic Indicators</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
Annual Growth Rate at constant prices, 2001/02 (in percentage)	6.33	3.3246	6.92	2.31	6.52	7.39	5.96	5.49	7.10
Gross Output at current price (Rs in millions)	29,477	32422	37536	45311	56041	71193	79118	95080	109819
Intermediate Consumption at current price (Rs in millions)	20079	22379	26034	31367	38694	49326	54597	65194	74515
Gross Value Added at constant price, 2001/02 (Rs in millions)	8001	8278	8851	9056	9646	10359	10855	11605	12429
Gross Value Added at current price (Rs in millions)	9398	10043	11503	13943	17347	21866	24521	29886	35303
Proportion of Gross Domestic Product at current price (%)	1.49	1.44	1.48	1.49	1.55	1.70	1.70	1.89	1.97
Gross Domestic Product Deflator	117.46	121.32	129.96	153.97	179.84	211.09	225.90	257.53	284.04

Sources; Tourism Survey Ministry of Culture, Tourism & Civil Aviation Planning & Evaluation Division Statistical Section 2014

In the above table 6 shows the economic indicator of Hotel and restaurants by fiscal year 2004/05 to 12/13. Due to the tourism sector Nepal's Hotel and restaurants have gained the

income. In the beginning 2004/05 annual growth rate of constrain price is 6.33% where as 7.10% limited in the year 2012/13. The economic indicator is reviewed as gross output at current price, intermediate consumption at current price, Gross value added at current price, Gross value added at constant price, Proportion of Gross Domestic Product at current price and Gross Domestic product.



## 6. RESULTS AND DISCUSSION

### 6.1 RESULTS

The tourism industry generates substantial economic benefits to both host countries and tourist's home countries. Especially in developing countries, one of the primary motivations for a region to promote itself as tourism destination is expected economic improvement. As with other impacts this massive economic development brings along both positive and negative consequences. According to the World Tourism Organization, 698 million people travelled to a foreign country in 2000, spending more US\$ 178 billion. International tourism receipts combined with passenger transport currently total more than US\$ 575 billion-Making tourist the world's number one export earner, ahead of automotive products, chemicals, petroleum and food. (Source: WTTC, 2013)

Tourism industry in Nepal is considered as the backbone for the national prosperity despite this facts it has been facing so many problems and challenges. Some policy, programmed, political scenario, infrastructure, skilled human resources and unhealthy competition are the barriers to run and promote the tourism industry. Tourists related activities need to be developed so that visitors come for religious and adventurous purpose and feel the urge to visit the country again and again. In order to meet these objectives dedicated leadership is needed but leadership has found to be weak in the implementation of program previously which directly hampers the capability in getting the funding for the project. Since 1950 the number of tourist arrival in Nepal is satisfactory and contributing in the national economy which helps to increase GDP and get positive impacts in the Nepalese life style. As shown in Table six in the fiscal year 2004/05 annual growth rate at constant price is 6.33 but it increased up to 7.10 in 2012/13 fiscal year.

The figure 4, mentioned Domestic travel spending generated 64.5% of direct Travel & Tourism GDP in 2013 compared with 35.5% for visitor exports (ie foreign visitor spending or international tourism receipts). Domestic travel spending is expected to grow by 8.7% in 2014 to NPR77.3bn, and rise by 4.2% pa to NPR116.1bn in 2024. Visitor exports are expected to grow by 11.9% in 2014 to NPR43.8bn, and rise by 6.0% pa to NPR78.8bn in 2024.

## 6.2 DISCUSSION

Nepal the potential hub of tourists is internationally recognized. The Tourism ministry, Civil Aviation and the Nepal Tourism Board play the vital role to promote tourism beside that many INGOs such as APEC backed by institutions such as UNDP and UNESCO are willing to fund the project and APEC has been marked USD 2 billion for the same. However, due to the lack of planning at the local level, the funds have been lying idle. In this regard the following discussions are made for tourism sector development.

- Ensuring effective implementation of tourism promotion activities and rules and regulation for sustainable development of the tourists.
- Increasing the tourism sector budget and investment by the government of Nepal so as to develop tourism infrastructure, including roads, electricity, communication, and water and environment conservation.
- Government developing appropriate training mechanism to increase the skill of tourism employees and hospitality management.
- Reducing unhealthy competition among tourism industries.
- Building international airport in order famous hub of tourist destinations and other means of transportation for easy accessible with priority in safety and security.
- Many Public toilet and bathroom and social security like police stations need to be built and there were serious dearth of them.
- Comfortable lodges and hotels need to be built by the government and the private sector which not necessarily are luxury based but at least provide all the basic amenities by global standards.
- Tourist police as seen in Kathmandu should also be established in other region which would help change the security and safety perception of many tourists visiting other places especially among female tourist.
- In order to highlight the various fauna and species of various animals etc. it might be wise to build a Museum in other places too.
- Proper record of tourist's expenditure should be maintained by hotels and resource.
- Tourism should be developed in such a way that it will not disturb social and cultural values.
- The awareness building programs should organize to make the local people aware and conscious about tourism and its products

- Priority should be given to the development rural tourism destination In order to reduce poverty and promote equality
- Home stay model and Nepalese type accommodation facilities should be built and established in the area of tourism destination.
- An integrated approach among government agencies. NGOs, INGO, APEC, WTO, and WTTC working in the country is needed in order to make resources enhancement program effective.
- A well planned well-coordinated and systematically integrated publicity campaign is required for effective promotion of tourism

## 7. CONCLUSIONS

Tourism has continually been an important source of employment in Nepal and a significant contributor to the national economy. Since Nepal opened its doors for the tourists in 1950, Tenzing and Hillary first climbed the Mt. Everest and focus they world's tourist as Nepal is the most destinations place in the world. Visitors from the world are motivated by the kaleidoscopic natural scenery and the cultural mosaic of its people and history. The country has gained the popularity as the holiest place for Buddhist and Hindus pilgrimage. The tourism industry generates substantial economic benefits to both host countries and tourist's home countries. Especially in developing countries, one of the primary motivations for a region to promote itself as tourism destination is expected economic improvement. As with other impacts this massive economic development brings along both positive and negative consequences. According to the World Tourism Organization, 698 million people travelled to a foreign country in 2000, spending more US\$ 178 billion. International tourism receipts combined with passenger transport currently total more than US\$ 575 billion-Making tourist the world's number one export earner, ahead of automotive products, chemicals, petroleum and food. (Source: WTTC, 2013)

The objective of this project study is to find the potential effects and positive impacts on the national economy. It is clear that due to the tourism, economic activities and economic growth also facilitates for the expansion of activities in the country. Our finding suggests that policy should be focused to develop tourism sector in order to achieve high economic growth

The direct contribution of Travel & Tourism to GDP was NPR 68.8bn (3.9% of total GDP) in 2013, and is forecast to rise by 9.8% in 2014, and to rise by 4.9% pa, from 2014-2024, to NPR122.2bn (4.7% of total GDP) in 2024.(Travel and Tourism Economic Impact 2014) The tourist industry in Nepal employs 42% of the total working population in Nepal. It is the main source of economic sustenance after agriculture. Many Nepali people depend upon foreign tourists for their livelihood. The growth of organized tourism in Nepal has given rise to higher wages of the Nepali population depending upon tourist activity for their economic sustenance.

It can be straightforwardly confirmed that the tourism industry in Nepal has become a job generator; both service oriented and product oriented. Increase income by job generation help

to raise standard of living. In addition the diversification of various new economic activities can lessen the big social problem of unemployment. People of the area welcome tourism as they have realized its importance, particularly from the economical aspect. It is a matter of fact that a poor country like Nepal should put economic concern at the top.

By promoting the tourism industry in Nepal which has brought the investment that make significant changes in the infrastructure and superstructures necessary for tourism in order to reap the benefits from such industry. The empirical analysis relating to the effectiveness of tourism financing showed the significant impact of tourism financing on economic growth.

Tourists bring along with money a strong and visible lifestyle to the particular region. Their dress, food habits and merry making style all brings some newness and uniqueness to the area of their visit of course the economical aspects be transformed. Everyday acquaintances with the foreigners and outsiders have made it easier to be familiar with the life style of the others. They are able to comprehend the similarities and differences among the people representing various nations around their courtyard. Interaction and observation of this kind have lifted their level of thinking resulting in a positive mind-set toward others and themselves. People have accepted some new favorable cultural traits regarding the diversification of menu or costumes without cutting down their social values constituting their identity. From these traits Nepalese people have been encouraged and empowered and moving to gain the income.

Nepal is a popular destination for tourism, natural and cultural heritage resources preferred by the tourists and Buddhist pilgrim having enchanting destination marketing and branding. The natural scenery, the rich flora and fauna, peaceful environment, the ethnic simplicity, the rich and diverse culture make the country as popular destination. Almost all the countries of the world have given priority to the development of tourism by allocating more budgets in this sector and through a robust marketing plan; the destination branding can be achieved. All the countries including Nepal have accepted tourism industry as major source of earning foreign currencies along with a generator of new employment opportunities.

It will be very fruitful to promote the tourist in Nepal and the Nepal's' Government also will be able to meet its goal to enter the tourists in this side. **'ATHITHI DEVO VABA'** in our Hindu mythology guests is treated as God which makes the country as a world class destination.

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