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Diploma Thesis

Factors affecting tourism in Pakistan, tourism  
potential and strategies for development as an  
Industry in Pakistan

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## **Declaration**

I declare that I have worked on my diploma thesis titled “Factors affecting tourism, tourism potential and strategies for development as an Industry in Pakistan” by myself and I have used only the sources mentioned at the end of the thesis.

In Prague on date 15.03.2015

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Feraz Amir

## **Acknowledgement**

Glory is to GOD, who has bestowed man with wisdom and intellect!

I would like to thank my parents for their great love, support and prayers despite being far away from them. In order to make this project happen, I would like to deeply thank my tutors Ing. Richard Selby, Ph.D. and Ing. Petra Bubakova for their valuable guidance and continuous support throughout this thesis.

Faktory ovlivňující turismus v Pákistánu, turistický  
potenciál a strategie rozvoje turistického průmyslu v  
Pákistánu

Factors affecting tourism in Pakistan, tourism  
potential and strategies for development as an  
Industry in Pakistan

## Souhrn

Hlavním cílem této práce je určit faktory, které ovlivňují turistický průmysl v Pákistánu. Dále má práce analyzovat dopad teroristických útoků a měnových kursů na turismus. Výzkum byl proveden formou rozhovorů a dotazníků v Pákistánu i v zahraničí a také zpětnou analýzou období 2000-2013. Výsledky výzkumu pomocí dotazníků a rozhovorů odhalují, že hlavním faktorem, který snížil počet turistů navštěvujících Pákistán, jsou teroristické útoky. Výsledky zpětné analýzy rovněž dosvědčují, že teroristické útoky mají významný negativní dopad na návštěvy zahraničních turistů v Pákistánu. Autor proto doporučuje, aby se pákistánská vláda i v zájmu podpory turismu zaměřila na udržení míru a stability v zemi.

**Klíčová slova:** turismus, Pákistán, rozvoj, ekonomika, faktory, strategie, potenciál, turisté, terorismus, průmysl

## Summary

The main aim of this thesis was to find out the factors affecting the tourism industry in Pakistan. Moreover the specific objectives was to analyze the impact of terrorist attack and currency exchange rate on tourism. The research was conducted through interviews, survey questionnaires inside and outside the country and also by the regression analysis for the period 2000 to 2013. The results from questionnaire and interview reveals that terrorist attacks is the major factor which have reduced the tourists visit ratio to Pakistan. Furthermore, the results of regression analysis also revealed that there is a negative and significant relationship between terrorist attacks and foreign tourist arrivals in the country. Hence, the researcher suggest that Government of Pakistan should more focus on maintaining peace and security for attracting tourists.

**Keywords:** Tourism, Pakistan, Development, Economy, Factors, Strategies, Potential, Tourists, Terrorism, Industry

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## **List of Abbreviations**

|        |                                                                  |
|--------|------------------------------------------------------------------|
| PTDC   | Pakistan Tourism Development Corporation                         |
| SATP   | South Asia Terrorism Portal                                      |
| WTO    | World Tourism Organization                                       |
| UNWTO  | United Nations World Tourism Organization                        |
| GDP    | Gross Domestic Product                                           |
| WTTC   | World Travel and Tourism Council                                 |
| FIFA   | International Federation Association of Football                 |
| TIC    | Tourism Information Centre                                       |
| KPK    | Khyber Pakhtunkhwa                                               |
| OLS    | Ordinary Least Square                                            |
| UNESCO | United Nations Educational, Scientific and Cultural Organization |

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## Chapter: 1 Introduction

This chapter of introduction provides some information on Pakistan as a tourist country, the problem statement, the objectives of the study, the statement of research hypothesis, the importance of the study and the limitations of the study.

### 1.1 Pakistan as a Tourist Country

Figure1: Map of Pakistan



Source: PTDC, 2014

Pakistan, as shown in Figure 1, appeared on the World map on 14<sup>th</sup> of August 1947 as a modern nation after its independence from British India. Pakistan is made up of four provinces, which are Punjab, Balochistan, Khyber Pakhtunkhwa and Sindh. All four are gifted with culture and heritage. Pakistan is acknowledged in the world of tourism as it is enriched with natural beauty and resources like mountains, beaches, rain forests, rivers, deserts and valleys. Kalam (Swat Valley) in Pakistan is known as the Switzerland of Asia.

The Chitral and Hunza Valleys in Pakistan were home to a small pre-Islamic Animist Kalasha community who claim descent from the army of Alexander the Great. The historical and archaeological sites of the Gandhara Kingdom and Indus Valley Civilizations such as Mohenjo-daro, Harappa (cities established near 5,000 years ago), Taxila and the Mughal Empire are the examples of ancient civilizations in Pakistan. K-2 is the second largest peak in the world, which attracts mountaineers and adventurers from around the world. This multicultural nature of the country makes it a heavenly destination and contributes to the tourism industry in a way that it offers assorted traditions, customs and festivals for the tourists to find out and enjoy.

## **1.2 Problem Statement**

In accordance with the above paragraph, Pakistan appears to be a perfect place to be visited by the tourists but despite that the arrival of foreign tourists are declining from 2011 to 2013. Hence, the data from 2003 till 2013 has been analysed in this research to understand the reasons of declining.

## **1.3 Aims of the Study**

The aim of my thesis is to find out the positive and negative factors which are affecting the tourism industry of Pakistan and also to detect the causes of tourists declining ratio. The specific objective was to understand the impact of terrorist attack and exchange rate on tourist arrival in Pakistan. This study will also focused on identifying the role of the government towards the enhancement of this industry and put forward some strategies that can improve this sector.

## **1.4 Statement of Research Hypothesis**

The hypothesis of this study was based on the major indicators and their impact on tourism in Pakistan.

### **Hypothesis 1**

H0: Terrorist attacks significantly affect tourist arrivals in Pakistan

H1: Terrorist attacks does not significantly affect tourist arrivals in Pakistan

## **Hypothesis 2**

- H0: Exchange rate significantly affect tourist arrivals in Pakistan
- H1: Exchange rate does not significantly affect tourist arrivals in Pakistan

## **1.5 Importance of the Study**

The value of this research lies in the fact that it will brought into consideration almost all the important aspects that are effecting the tourism industry according to the view of potential tourists as the questionnaires were also carried out abroad and at the end will be provided some suggestions that can enhance the current weakening condition of this industry. The results obtained via questionnaires and opinions of the tourists can be used by the Government of Pakistan, PTDC so that by keeping in mind the tourist's viewpoint, they can work for the improvement of the tourism industry. Moreover, the data can be utilized by the media persons by bringing into the views of foreigners so that they can play their part by promoting the image of Pakistan in a positive way by documenting the marvellous places which are still hiding under the curtains from the eyes of the world.

## **1.6 Limitations**

The research could have been better if the sample observations could have been more representative. Limitation of the budget and time abstained researcher to travel many places. It was hard to interview tourists as the management of the hotels don't allow their guests to be interviewed because of the security reasons. Moreover more factors could have been used.

## **Chapter: 2 Methodology**

The methodology used in this research was through personal interview and questionnaires filling in Pakistan and abroad. Secondly, the regression analysis was performed using statistical software Gretl. For regression analysis, the study is based on the annual time-series data on number of foreign tourist arrivals, exchange rate of Pakistan currency (Rs) as compare to US \$ and number of terrorist attacks for the period 2000-2013 for Pakistan. The data was collected from Pakistan Tourism Development Corporation, World Bank Data and South Asia Terrorism Portal databases respectively. In order to find correlation between the variables, the researcher computed Pearson Correlation Coefficient between all the three variables. Meanwhile, Breusch-Pagan Test for Heteroscedasticity and Breusch-Goodfrey Test for Auto-correlation was also examined to test the significance of the data used in the research.

### **2.1 Primary Data**

Primary data was collected from direct interview and questionnaires. There are various researches done in the field of tourism associated with employment opportunities or marketing but there has not been much researches done on the fact that why tourism arrival ratio is declining gradually in Pakistan. For this motive, the researcher designed a questionnaire to personally visit and meet the international and domestic tourists in Pakistan and also overseas. Questionnaires were sent online and also distributed by hand. From a total of 210 questionnaires, 152 responses were received. 103 respondents were male whereas 49 were female. The age group of respondents were between the age of 18-24, 25-44, 45-64 and above 65. Interview was conducted amongst 20 foreign tourists including men and woman. Out of 20, 16 were taken in Pakistan and 4 in Czech Republic. The researcher resides in the capital city Islamabad, therefore was able to find and interview the international tourists. Most of the tourists like to stay there for the reason that it is the most modern city in terms of hotels, shops, food chains and transportation. Till late at night, the marketplace and restaurants are open and it is easy to find and interview. Another plus point proved to be informative as the researcher studies in Czech Republic, therefore was able to interview 4 people. The information gained through interview and

questionnaire helped in shaping the positive and negative factors affecting the Pakistan’s tourism industry.

## 2.2 Secondary Data

With the aim to verify statistically the decrease in tourists arrival, the best feasible solution was to visit PTDC. In order to gather the required information, the secondary data was collected from World Data Bank, South Asia Terrorism Portal and World Economic Forum websites. The visit to PTDC assisted researcher to compare and analyse Pakistan tourism industry performances in preceding years and matched its performance with the neighbouring countries India and China with the intention to evaluate its global ranking, business environment and infrastructure, regulatory frameworks and human cultural and natural resources.

## 2.3 Regression Analysis

In order to understand the relationship between the dependent and independent variables, regression analysis was conducted. Series of tests was conducted to test Heteroscedasticity and Autocorrelation tests were undertaken to examine the significance of the used variables and then results was found through regression method.

**Table 1: Regression Analysis Indicators**

| Variables   | Factors                                     |
|-------------|---------------------------------------------|
| Dependent   | Foreign Tourist Arrivals                    |
| Independent | Terrorist Attacks<br>Currency Exchange Rate |



## **2.4 Pearson Correlation Coefficient**

The Pearson correlation coefficient is a numerical value between -1 and +1 that expresses the strength of a linear relationship between any two variables and is denoted by ‘r’. The statistical software Gretl is used in this project to calculate correlation matrix. Multicollinearity occurs when the absolute value of relation between one exogenous variable and second one is higher than 0.8. Multicollinearity disables to estimate the proper parameters and separate influence of independent variables on dependent variable due to their mutual relation.

## **2.5 Breusch-Pagan Test**

To test if the variance of residual variables is constant and finite, we can use either Breusch-Pagan test or White test. White test is more general and it is used for models with more than 30 observations. The Breusch-Pagan test is applied in this project to detect heteroscedasticity (the opposite of homoscedasticity) using Gretl software.

H0: Heteroscedasticity

H1: Homoscedasticity

## **2.6 Breusch-Godfrey Test**

Breusch-Godffrey test is used in order to detect autocorrelation in the model as Durbin-Watson test is not sufficient for identification of autocorrelation.. Autocorrelation often remains a significant factor for time series data. Hence, we use Autocorrelation test to detect error in the model.

H0: Heteroscedasticity

H1: Homoscedasticity

## **Chapter 3: Literature Review**

Mushtaq and Zaman (2014) in their research article provided a relationship between terrorism, political instability and tourism in the SAARC region countries over a period of 1995 to 2012 through panel data analysis. They find out that there is a positive relationship between terrorism and tourism in the SAARC region, whereas there is a negative relationship between political instability and tourism in the region. According to Kakar et al. (2007), their research presented an association amid tourism and employment in Pakistan by determining the employment rate generated in different occupations from the tourism sector. Their survey was restricted as it was conducted in hotels and restaurants just inside two cities. Thus, no effort was utilized in order to find out the total impact of tourism sector on different employment sectors like taxis, guides, travel agencies et cetera. In addition, the inclusion of statistical data is restricted since no appropriate information is there that concerns the time, date and year in which the data was accumulated.

Baloch (2007) in his research about managing tourism in Pakistan examined the slow progress of Pakistan's tourism growth and suggested methods of developing the industry via natural, historical and cultural resources. The drawback of the research is that it was only performed in Chitral Valley and the weakening situation of the industry is explained for the year 2006 alone. Additionally there remains no proper findings obtained from the tourists and hoteliers as the data was gathered from the concerned departments. Even though some more studies are linked to the tourism industry in Pakistan but there remains barely any research that focuses primarily on pros and cons aspects affecting the tourism industry of Pakistan on a whole and comparing the industry's performance to its some neighbouring countries. The researcher in this study has gathered the yearly data from 2000 to 2013, which focused primarily on the factors affecting the tourism industry in Pakistan which have resulted in deteriorating interest of foreign tourist arrivals. The difference lies in the methodology approach as not only questionnaires and interviews were carried out inside and outside the country but also through the statistical software Gretl to check the significance of the results. Moreover the researcher has proposed strategies that can assist in enhancing the weakening situation of the tourism industry if considered by the government and the PTDC, which can see the revival of the lost blooming industry of the country as once known to be the golden sparrow for tourism.

### **3.1 Tourism**

Tourism is defined as the movement of individuals travelling from one place to another and residing outside their normal environment by not exceeding one consecutive year for the motive of leisure, business or others (WTO, 2012). Tourism is one of the world's fastest growing industry and therefore is seen as an engine for growth. Tourism industry is a dynamic and a highly competitive service based industry that includes a number of tangible and intangible components. The elements under tangible comprises of transportation, accommodation, souvenirs, food and beverages, whereas intangible elements consists of culture, adventure, education and occupation of providing local services for instance entertainment, lodgings and catering for tourists (Hong, 2008).

Tourism is a sector in which many countries are dependent on its growth and survival. However, tourism sector is fragile in nature (Meditinos & Vassiliadis, 2008). Investment in tourism is viewed as a significant part of a sustainable tourism sector and investment in infrastructure and product is crucial for destinations and businesses to support tourism visitation along with the experiences. Technology is considered as a primary source of sustainable competitive advantage and a strategic weapon for the tourism sector. One of the main challenges is to communicate and guide the potential customers in an accessible manner. Investment is required in the operation of tourism facilities, services and amenities which are frequently dependent on a number of travel infrastructure networks that includes transport, attraction and tour operations for tourism (Dwyer & Spurr, 2010).

Tourism development is widely seen as a vital tool in promoting economic expansion, diminishing poverty and stimulating regional development (World Tourism Organization, 2010). The capability of the national economy to get advantage from tourism depends on the availability of resources to build up the required infrastructure (Richardson, 2010). Various tourism policies are put into practice by many countries in order to increase tourism revenue by rising tourism demand. Certainly there remains numerous factors affecting tourism demand. One of them is foreign exchange rate and altering of foreign exchange rate can probably have an effect on the tourism demand. Mainly tourists are conscious about the exchange rates and hence by looking at the movement of currencies,

they make their travel decisions. Exchange rates have developed into one of the determinants utilized for global tourism demand (Altin and Uysal, 2011).

### 3.2 Tourism in Pakistan

Pakistan is blessed with diverse natural resources with a population of approximately 180 million and is seasoned with four seasons which are summer, winter, autumn and spring (Ahmed, 2014). Lack of concern and deficiency of the capital remains an obstacle in the development of Pakistan’s tourism sector. The increasing competition among destinations and the growth in international tourism necessitates policies along with strategies in order to strengthen a country’s comparative advantage. The three main hurdles which are being faced by Pakistan’s economy are energy crisis which is one of the top challenges and is faced by the business community, secondly law and order situation and thirdly foreign investment. The government needs to take serious measures in order to tackle issues affecting its economic development by investing sensibly and need to work together by joining hands with the private sector (Masood & Shah, 2012). Below in the table, the contribution of Pakistan’s tourism to GDP and also comparison with China and India can be seen.

**Table 2: Comparison of Tourism Contribution to GDP**

| <b>Countries</b> | <b>Population (millions)</b> | <b>GDP in 2013 (US\$ billions)</b> | <b>Tourism % of GDP</b> |
|------------------|------------------------------|------------------------------------|-------------------------|
| PAKISTAN         | 180                          | 224.88                             | 3.1 %                   |
| INDIA            | 1266                         | 1876.80                            | 6.2 %                   |
| CHINA            | 1382                         | 9240.27                            | 9.2 %                   |

(Source: Turner, 2014)

Pakistan is going through its worst circumstances ever concerning its tourism industry. Initially, it was the huge disaster which took place on 9/11 that hurt the tourism industry and then a terrible quake in 2005 which resulted in collapsing the total tourism infrastructure. Next, the Taliban insurgents took into custody the beautiful Valley of Swat,

which is branded as Switzerland of Asia. These kind of tragedies did not disappear permanently and were further continued in 2010 in which 17 million people got badly hit by floods as being the most pricey natural disaster that inflict chaos with the whole tourism sector (Wattoo, 2012).

### **3.2.1 Types of Tourism in Pakistan**

The tourists habitually take a trip for different taste which means to witness different places and things which are dissimilar cultures, climates, nature, cuisines, unique festivals and old historical sites and buildings etc. The tourism industry in Pakistan has an immense prospective of attracting physical environments in the world as it possess most of the things that could assemble the tourist's demand (Del Bo & Bignami, 2014). Subsequent are the types of tourism in Pakistan:

#### **➤ Heritage and Spiritual Tourism**

Pakistan is known to have stunning ancient cites of the world counting the Indus Valley and Gandhara Civilization, Moenjodaro, Harrappa, Taxila, Thatta, Badshahi Masjid, Tomb of Jahangir and Mughal treasure heritage. Pakistan possesses popularity for its shrines and temples as folks belonging to various faiths that includes Muslims, Hindus, Buddhist and Sikhs visit Pakistan for purpose of pilgrimage (Carpenter, 2014).

#### **➤ Culture Tourism**

Pakistan has a wealthy, colourful and unique culture because of its Islamic nature and wealthy historical backdrop. Pakistani cuisine is excitingly an important component of rich Pakistani culture. Foodstuff lanes are gaining a key source of attraction for sightseer as they can spend valuable time enjoying the local Pakistani cuisine plus shopping simultaneously. The well-known food lanes in Pakistan are known to be Anarkali and Gawalmandi in Lahore, Blue Area and Melody food street in Islamabad, Ghanta Ghar in Peshawar and Burns Road in Karachi. Festivals not alone offers celebration but also physical and mental refreshment to the locals as well as to the tourists who travel with the

intention to discover and get pleasure from varied festivals and cultures. Various cultural festivals and ceremonies comprises Horse and Cattle show, Kite flying known as Basant, Lok Virsa mela, famed Kalash and Silk route festivals (Malik, 2006).

#### ➤ **Adventure Tourism**

Adventure or Eco tourism is the most noteworthy part of the tourism industry in Pakistan as it is blessed with lake valleys, glaciers and globe's dazzling and prominent peaks such as K-2 and Nanga Parbat. Tourists not only performs different kind of activities such as hiking, skiing, surfing and camping but also takes pleasure in the site viewing. The most thrilling activities which are enjoyed by the tourists are mountaineering and trekking. Famous Swat Valley also known as Switzerland of Asia and the second largest mountain in the world known as K-2 which has a height of 8611 meters are also located in Pakistan. One of the another great attraction includes Silk route which is a very old route linking west and the east (PTDC, 2015). Pakistan also possesses 31 natural and man-made reservoirs and lakes. The most famed and spectacular views of landscapes and mines crosswise the territory can be viewed through helicopter or safari train as it is the most recent way of travelling and shows the sky view from the top where the deserts in the south and highest peaks in the north can be enjoyed (Khan, 2014).

#### ➤ **Sports Tourism**

Pakistan is famous as a sports destination not only for what it offers to the tourists but also for the sports goods its produce and exports all over the world. The city of Sialkot is popular for making sports tool due to its handmade best quality products. The football which was used in FIFA World-cup 2014 is made in Pakistan in the city of Sialkot (Tanveer et al. 2012). Himalayan range is the highest peak range in the globe which demands for professional trekking along with the general trekking. Other sorts of sports tourism comprises of golf, mountain biking, wild boar hunting in deep forests, mountain biking, snowboarding, ice climbing, rock climbing, caving and skiing (Fakhar, 2008).

### 3.3 Pakistan Tourism Development Corporation

PTDC is the tourism development body which is regulated by the Government of Pakistan and its key objective is to promote and develop tourism in Pakistan. The Corporation holds 18 Tourist Information Centres (TIC), 35 motels and 4 restaurants situated inside the country. The Tourism Ministry was a federal government agency and was formed to develop tourism sector in Pakistan but was abolished under constitutional requirements in Pakistan on 30<sup>th</sup> June 2011, that requires transfer of the tourism ministry to the provinces. At the moment, there is no tourism ministry in Pakistan, which means there is no tourism department and no tourism minister. The Ministry of Tourism was merged into Pakistan Tourism Development Corporation (PTDC), which is now liable for the tourism industry in Pakistan (PTDC, 2014).

**Figure 2: PTDC Motel and Tourist Information Centre in Saidu Sharif, Swat.**



Source: PTDC, 2014

### 3.4 Factors Affecting the Tourism Industry in Pakistan

Tourism is vastly open to exterior shocks for instance terrorism, natural tragedy and political instability (Mansfeld & Pizam, 2006) since the expenditure of this industry depends upon faith and trust. According to Neumayer (2004) events which damage the faith weakens the tourism structure plus harms the fundamentals within the system and the

adjoining environments via demand fluctuations. Below are the factors that cause the decline and prevents the tourism industry from rising:

➤ **Unfavorable Political Conditions**

Pakistan political condition has gone through the phase of instability numerous times since the establishment of the country. The political parties blame each other when they are in opposition and in power whereas they do not take serious measures to enhance the economy and eradicate the crises, thus resulting in protest marches, strikes, sit-ins and even sometimes the military leadership steps in and take the charge. The dishonest politicians do not pay attention to this main industry which can take its economy to the upmost peak (Wattoo, 2012 ).

➤ **Lack of Proper Infrastructure**

Pakistan lacks in the industry caused by inadequate infrastructure, improper roads, whereas the railway is on the brink of devastation. Lots of tourists find it difficult to visit different places in Pakistan owing to unsuitable infrastructure. Hence, poor infrastructure is an obstacle on the route of developing and thriving tourism industry (Khan, 2014).

➤ **Inability to Cope with Natural Disasters**

Pakistan have been hardly hit by earthquake in 2005 and deadly floods in 2010 which resulted in collapsing the total tourism infrastructure. The government of Pakistan lacks the capability to reinstate the natural disaster and unable to reinstate the tourist destination to be available for the tourism industry (Wattoo, 2012).

➤ **Terrorist Attacks**

According to Sandler & Enders (2003) Terrorism is an intentional exploit or menace of use of violence by groups or individuals with the purpose of acquiring social or political motive via terrorization of a large audience. One of the primary factors that is not only damaging the reputation of Pakistan in the world but also causing its tourism industry to decline is due to terrorist attacks in the country. The terrorism related affects on a country's economy are enormous which counts on deflation, joblessness, homelessness, offence plus other social and economic ills. The association between developed and developing



countries on the topic of travel and tourism at present is so immense that any fall belonging to the industry is a root of deep concern. When there is absence of security in the day of modern world, matters of terrorism persuades the tourism industry as of utmost significance (Kalia, 2009). Life of people in Pakistan turned out awful after joining the hands with US led war on terror in which tourism industry got ruined.

➤ **Economic Instability**

The mounting prices and inflation has created an impact in the tourism industry by making Pakistan a place that is away from the reach and affordability of tourists. Loads of national tourists has lost the charm in travelling to the northern and other tourist destinations seeing that the prices of transportation, food, hotels stay and lodging have been greater than before. Another factor also inhibited the development of international tourism in Pakistan has been with the decline of Pakistan rupee against the US Dollar (Hall & Page, 2012).

### **3.7 Efforts of Government and Army to Eradicate Terrorism**

Peace negotiations between the Government of Pakistan and the Taliban representatives started on January 29<sup>th</sup> and collapsed on 17<sup>th</sup> February 2014 as Taliban insurgents executed 23 abducted Pakistani soldiers. Apart from that still there were continued assaults from the militants side. Finally the Government of Pakistan and Army took an initiative to launch a strong military operation on 15<sup>th</sup> June 2014 in North Waziristan after the militants strike on the Karachi's busiest International Airport on 8<sup>th</sup> June 2014. Around 30,000 Pakistan Army soldiers have been deployed in the North Waziristan region. The operation was given the name of Zarb-e-Azb meaning sharp and cutting strike. Despite Army and government on being at the same page, the whole nation fully backed this operation. North Waziristan is the hub of terrorists who are hiding there as sanctuaries. Up till now 200 soldiers have embraced martyrdom while around 2,000 terrorists have been put to death in the ongoing operation. The parliament have approved by amending the constitution of Pakistan to establish military courts after the huge tragedy of 149 lives mostly students in Army Public School Peshawar on 16<sup>th</sup> December 2014. The purpose of establishing military court is to handle the terrorism cases and to deliver the verdict soon (Defence Pakistan, 2015).

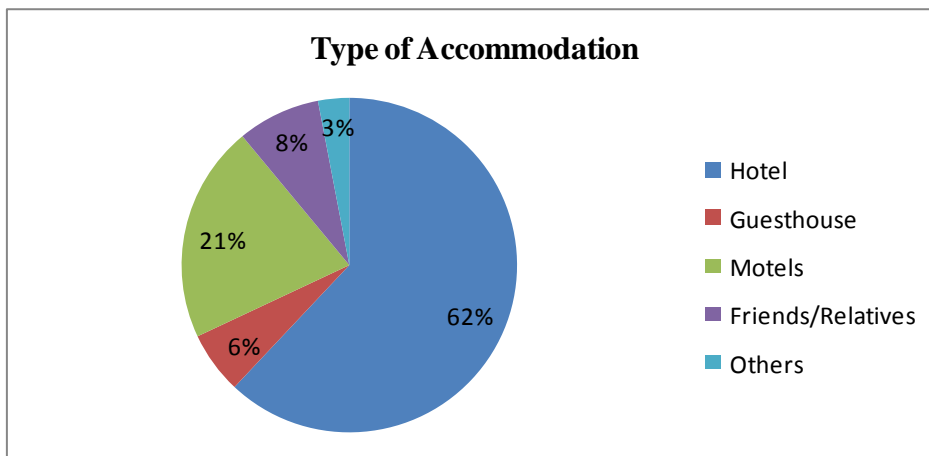
## Chapter: 4 Findings and Analysis

This section deals with the analysis and findings of the results. The results from questionnaire and interview are summarized in this part. Also the result of regression analysis are explained.

### 4.1 Questionnaires

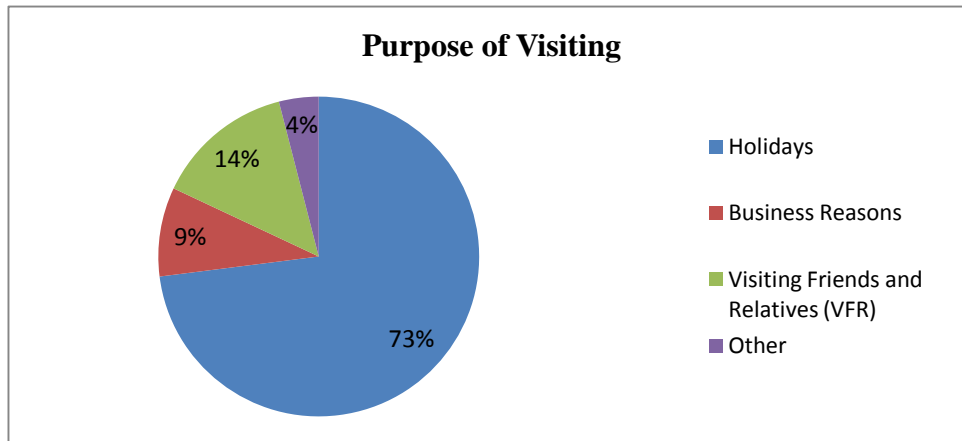
A total of 210 questionnaires were sent from which 152 responses were received. Questionnaires were sent online and also distributed by hand in Pakistan and abroad. The result from the questionnaires are as follows:

**Figure 3**



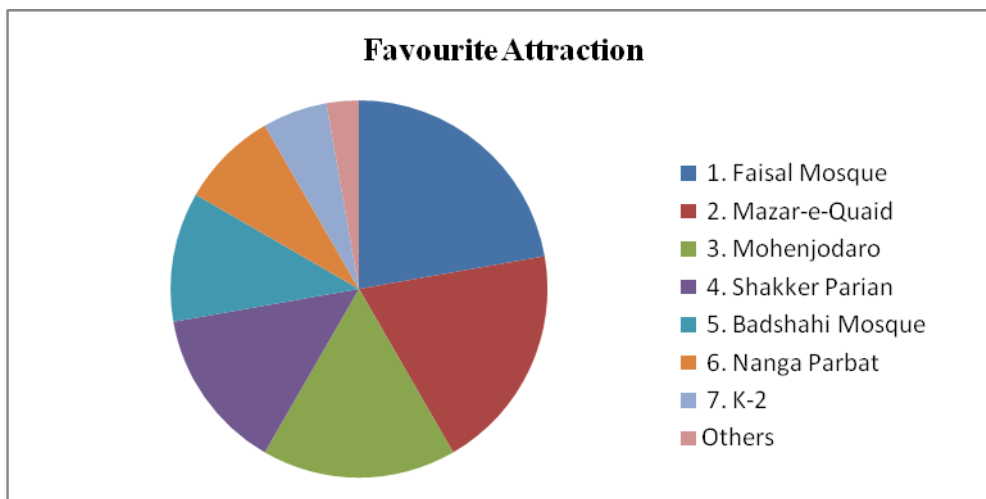
On a question regarding type of accommodation, 62 percent of tourists said they are staying in the hotel, whereas 21 percent used motel as their accommodation. 8 percent tourists stayed with their friends/relatives, 6 percent in guesthouse and the remaining 3 percent mentioned as others.

**Figure 4**



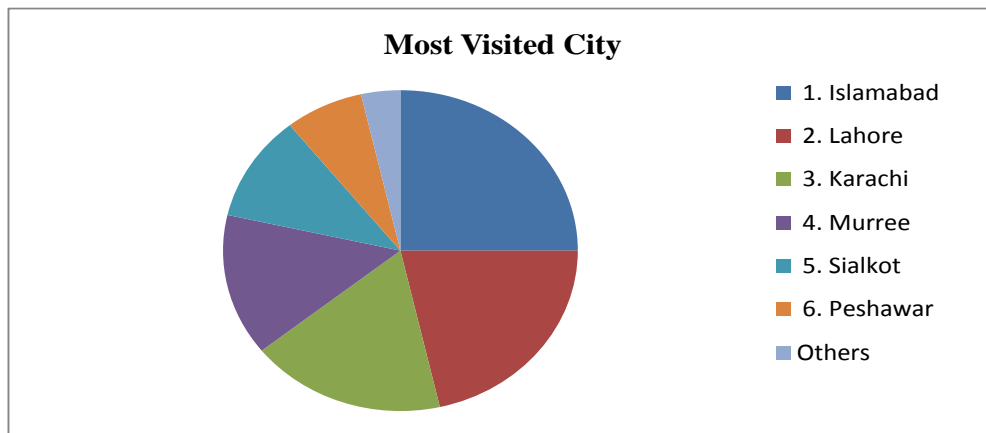
On a question about purpose of visiting Pakistan, 73 percent of tourists said holidays, 14 percent told Visiting Friend and Relatives, 9 percent mentioned for business reasons and remaining 3 percent as others.

**Figure 5**



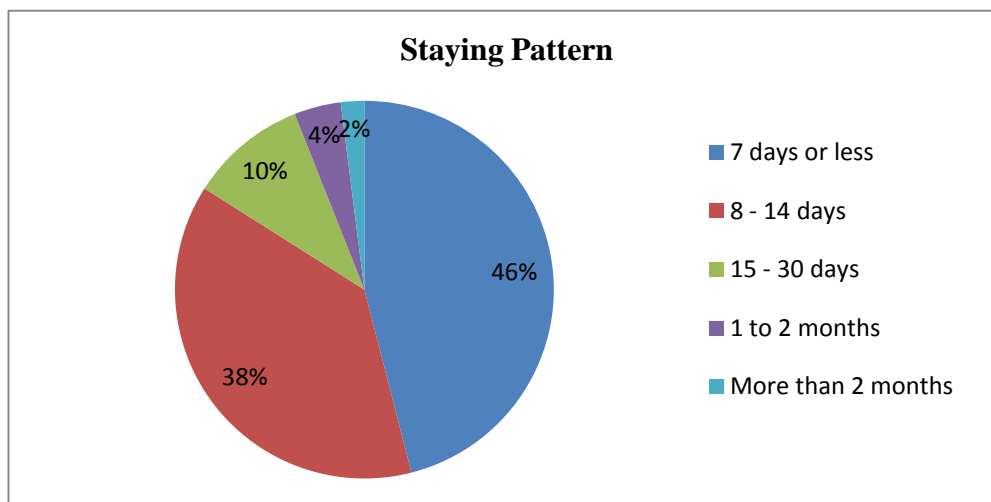
In relation to a question about the famous attraction, the top listed attraction was Faisal Mosque, followed by Mazar-e-Quaid, Mohenjodaro, Shakker Parian, Badshahi Mosque, Nanga Parbat, K-2 and others respectively.

**Figure 6**



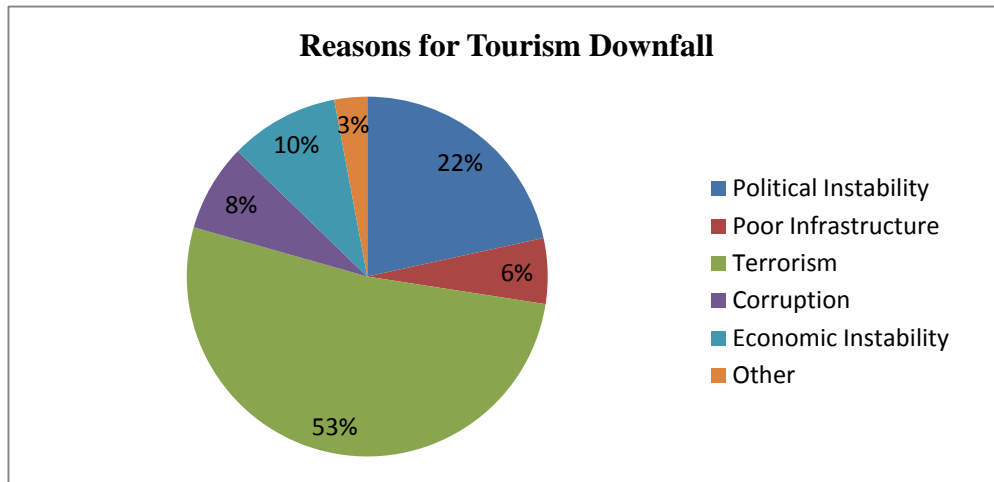
Regarding a question about most visited city by the tourists, Islamabad topped the list followed by Lahore, Karachi, Muree, Sialkot and Peshawar.

**Figure 7**



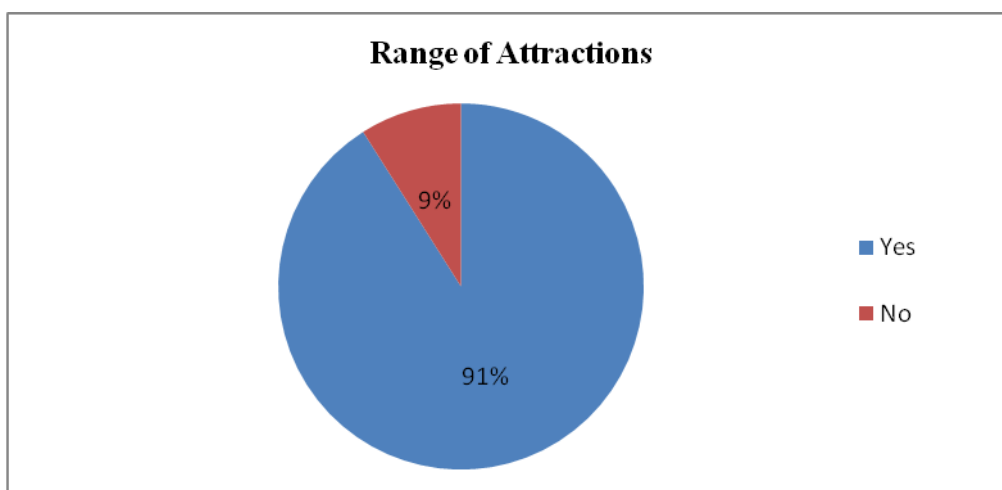
On a question regarding their staying pattern in Pakistan, 46 percent of tourists said 7 days or less, 38 percent of whom said between 8 to 14 days, 10 percent between 15 to 30 days, 4 percent between 1 to 2 months and remaining 2 percent for more than 2 months.

**Figure 8**



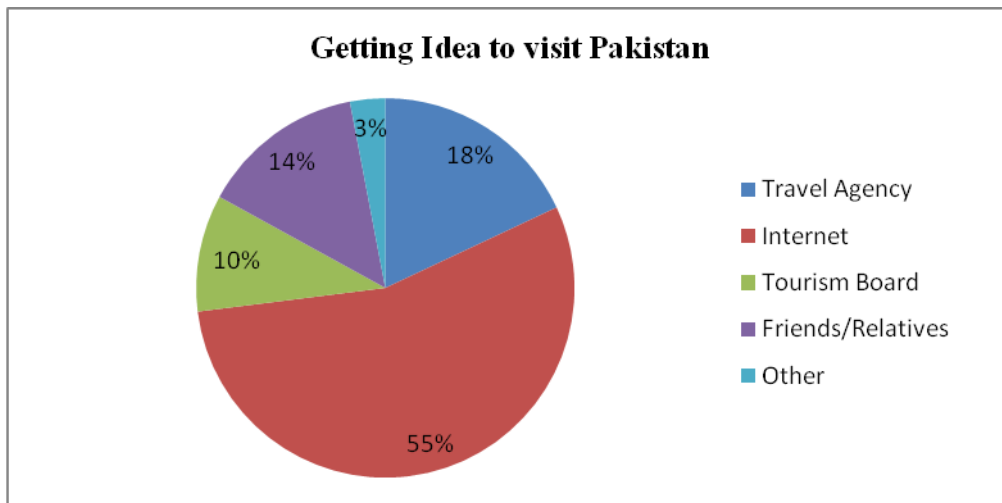
About a question concerning the reasons for tourism downfall in Pakistan, 53 percent of tourists declared terrorists attack, 22 percent said economic instability, 10 percent mentioned political instability, 8 percent pointed out as corruption and the remaining 3 percent as others.

**Figure 9**



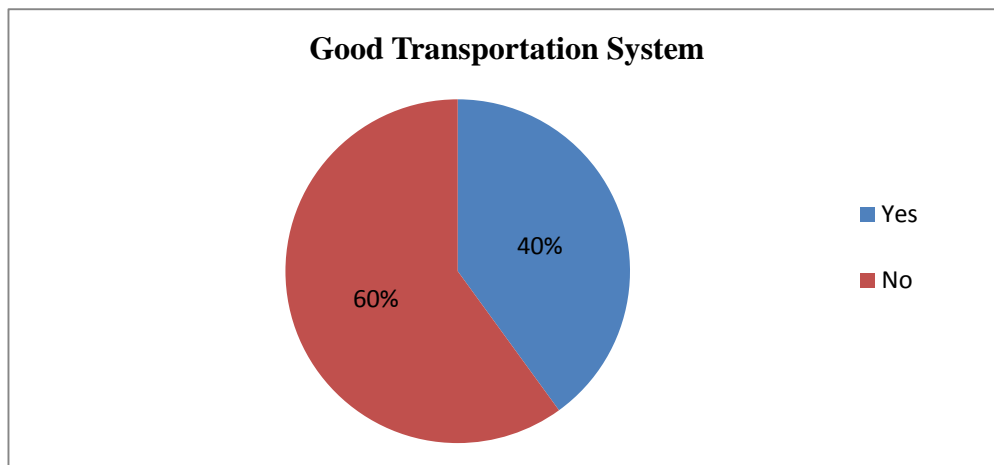
When asked question that does Pakistan have range of attractions, 91 percent of tourists said yes, whereas 9 percent of tourists provided no as an answer.

**Figure 10**



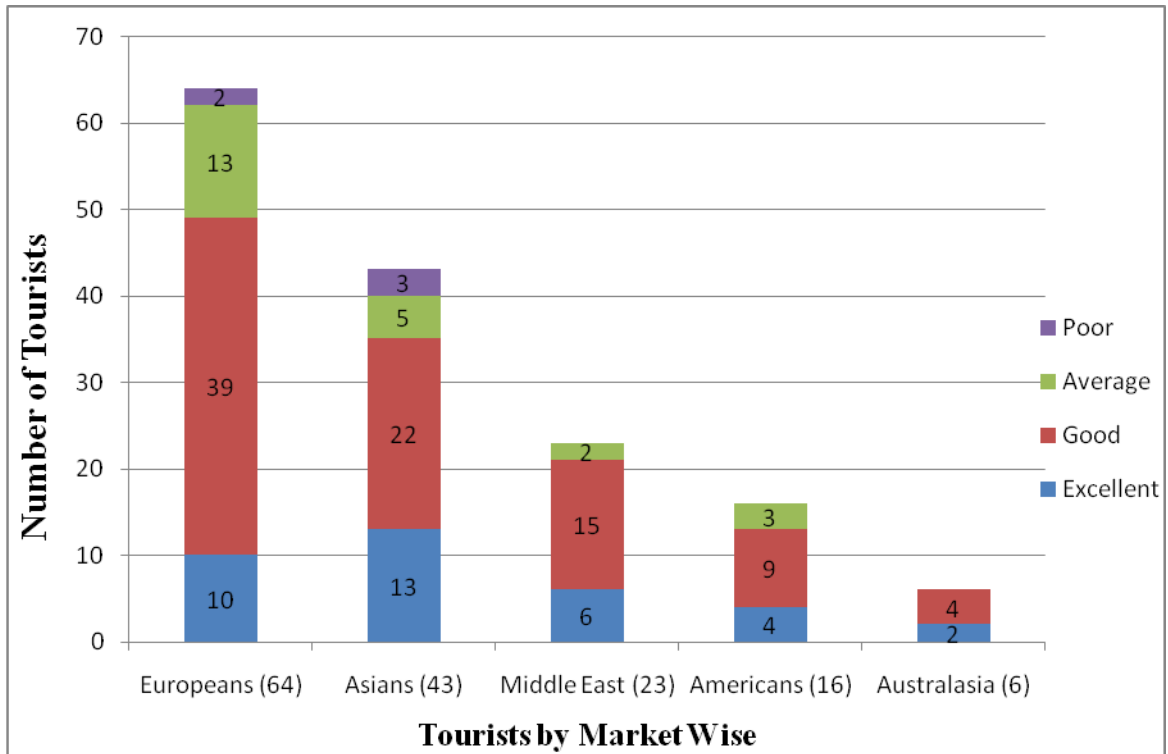
Regarding a question on getting the idea to visit Pakistan, 55 percent of tourists said through internet, 18 percent via travel agency, 14 percent said by their friends/relatives, 10 percent through tourism board and remaining 3 percent stated as others.

**Figure 11**



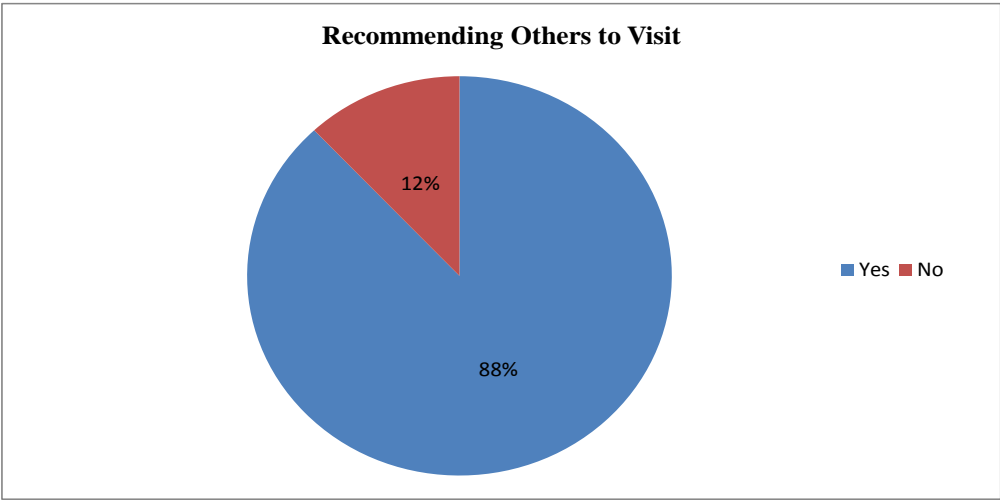
When asked question that does Pakistan have good transportation system, 60 percent of tourists said yes, whereas remaining 40 percent of tourists said no as an answer.

**Figure 12: Overall Staying Assessment**



Out of 64 Europeans, 39 regarded their stay as very good, 13 of them average, 10 as excellent while the remaining 2 as poor. Among 43 Asians, 22 of them said very good about their stay, 13 of them excellent, 5 of them average and the remaining 3 as poor. Out of 23 tourists from the Middle East, 15 regarded their stay as very good, 6 of them excellent whereas the remaining 2 as average. Amongst 16 Americans, 9 of them said very good, 4 of them stated as excellent and the remaining 3 as average. Out of 6 Australasia, 4 of them regarded as very good and the remaining 2 as excellent. Thus, considering overall 35 tourists regarded their stay as excellent, 89 as good, 23 as average and 5 as poor.

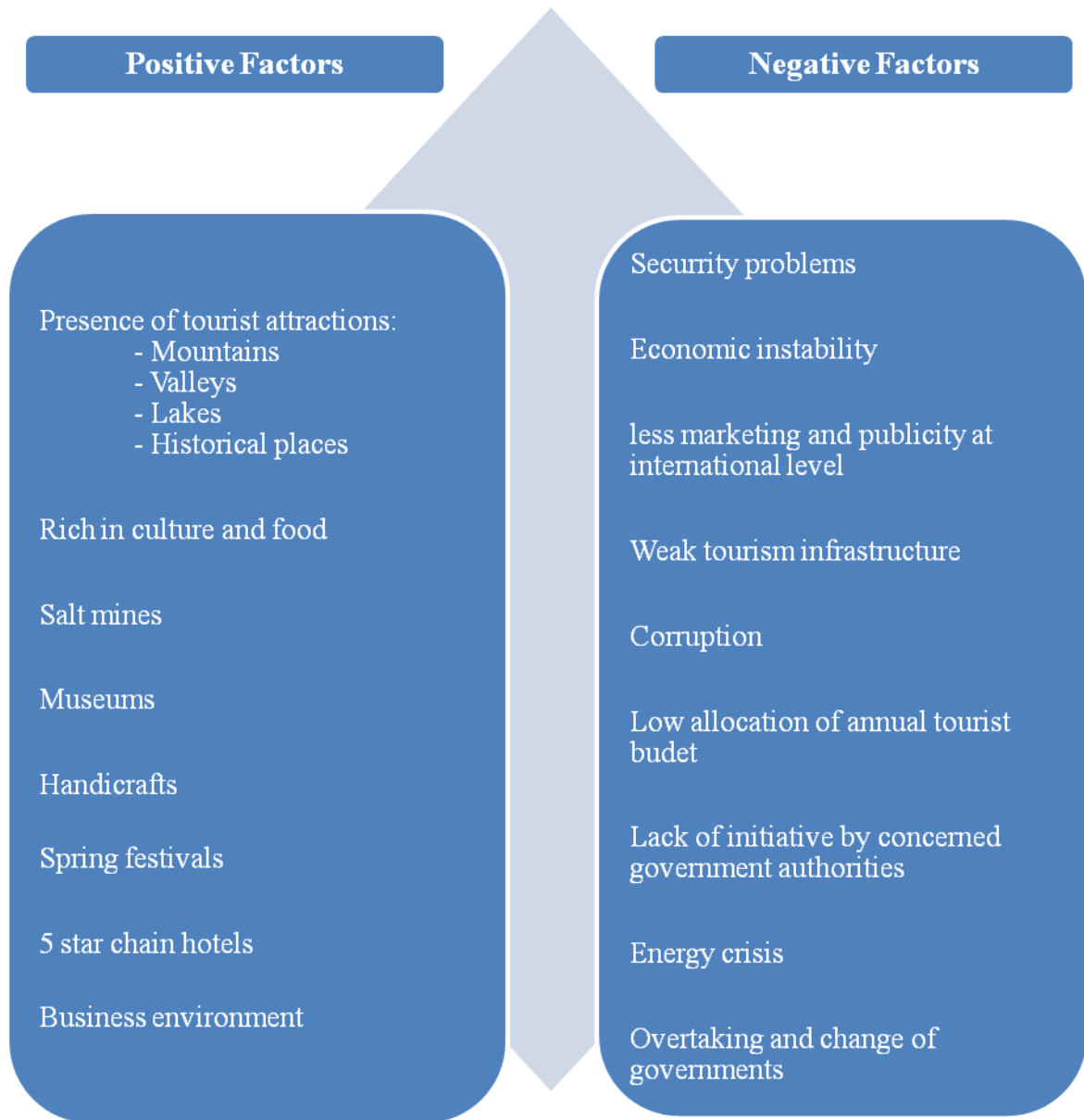
**Figure 13**



On a question regarding recommending others to visit Pakistan, 88 percent of tourists said yes they will be recommending others to visit while the remaining 12 percent said no.



**Figure 14: Factors Affecting Tourism**



(Source: Questionnaires)

The constructive and unconstructive elements affecting the tourism industry of Pakistan as shown in the Figure 14 are the views and opinions gained from foreign and domestic tourists through questionnaires. The positive factor which topped most was due to the presence of tourist attractions such as historical places, mountains, lakes and valleys. The

elements which stands second is due to the rich in culture and food. Other following factors comprises of salt mines, museums, handicrafts, spring festivals, five star chain hotels and business environment. The major obstacle according to the tourists are the security issues, due to the presence of some insurgency mainly in the North-east of Pakistan. Due to this, even domestic tourists abstain to travel to that part. The issue which stands second in relation with tourists decline is due to the less marketing and publicity of Pakistan at the international level. Other various issues which contains lack of tourism infrastructure, insufficient tourists services and facilities, shortage of incentives in the tourism sector, unproductive promotional policies, law and order situation specially in the high tourist attraction areas, inadequate training and knowledge of employees in the tourism sector, low allotment of annual tourist budget, lack of development and facilities in the mountain regions, lack of understanding to the tourist requirements, changing of governments and administration within the country, deficiency of initiative by concerned government departments, high inflation rate are the focal points which have collectively made tourism an ineffective business in Pakistan.

## 4.2 Interview

### ➤ Interview with Mr. Shahid Khan, member of PTDC

1. Can you please tell me what Pakistan has for tourists to see?

Pakistan is a land of adventure and nature as it is rich in its variety, culture and adventure tourism. It offers unique products for tourists while being a unique destination. We have dazzling valleys, rivers, deserts, forts, peaks, villages and lively cities which are indeed pleasing to the eye. K2 is the world's second largest peak and it has got a height on top of 8,000 meters. There are four major provinces and seven key destinations that is Punjab, Sindh, KPK, Balochistan, Islamabad, Gilgit Baltistan and Azad Kashmir. Each is endowed with its own attractions and diverse cultures. The four seasons can be enjoyed at the same time in one trip as we have winter in the south region whereas summer in the north region. Apart from this, the language, culture, appearances of the folks is also miscellaneous, which leads to strong experiences and a memorable journey while returning home.

2. Do you consider Pakistan tourism industry has a large turn over?

The history of tourism industry in Pakistan is long and thus plays a crucial role in the contribution to Pakistan's economy. Tourism industry is highly dependent on the country's situation. The condition of this industry few years ago was quite better as it generated large turn over, however currently it is on decline trend as it is facing problems, which needs to be seriously addressed.

3. What are the issues in your opinion which are affecting the tourism industry of Pakistan?

Pakistan has got numerous tourists spots like peak mountains, gorgeous scenery, forests, beaches, rivers, valleys, historical and archaeological sites. However the industry is not moving ahead towards improvement as it should be. Many undesired factors affecting the tourism industry involves political instability, rising inflation, terrorism, incapability to handle natural disasters and poor law and order situation. Round about one third of the

overall tourists have annulled their trips to Pakistan whereas the rest 65 percent are not related to adventure tourism which engages hiking, trekking and climbing of the peaks. The tourism industry has suffered a loss of 50 million US\$ annually, which is the most due to the militancy and extremism.

4. Which year Pakistan received maximum tourists and what were the dominating countries?

The year 2010 is acknowledged to receive highest number of tourists inflow in the country as there were more than 900,000 foreigners. The majority of tourists from dominated countries were from UK, US, Indian, China and Iran. There were over 270,000 from UK, around 108,800 from US, above 48,100 from India, 36,600 were Iranians and approximately 29,100 from China.

5. Do you consider this year tourism in Pakistan has enlarged or not?

I consider that at the moment the circumstances are not good enough and there seems to be not a big difference than last year but I wish and expect it to increase in view of the fact that if tourism increases. It proves to be beneficial for the country. It also depends on how good relations we have with India, because if there are good ties, than there are more chances of tourists visiting our country.

6. What is the impact on the country's economy when the tourism and hotel industry is affected?

Undoubtedly the economic condition of Pakistan is not better as the inflation rate is rising and also there are electricity and fuel crisis in many parts of the country. Tourism and Hotel Industry are interrelated with each other and if either of one is affected, it simply leaves a mark on the other. Similarly, Hotel and Tourism industry contributes significantly to the national economy and its impact on the country's economy does matter as it generates revenue. Hence it is crucial that they are maintained and developed.

7. How do you see security situation in Pakistan for tourists and should they feel comfortable while coming to Pakistan?

Yes, there are some problems in northern side of Pakistan like Swat, Gilgit Baltistan but our security forces has conducted operation which is successfully going on and the majority of the areas are cleared from the miscreants. There are some issues and inconveniences in only a few parts of the county. China has proclaimed Pakistan as the most favoured destination for their Chinese tourists. The overseas media is portraying negative picture and publishing false news concerning Pakistan as they do not point out which places are unsafe, they declare Pakistan in general, which is untrue and unacceptable. This fabricated propaganda has affected our tourism industry, hence it is influenced by the media role which portrays the incorrect pictures. Areas of southern part are completely secure. There are no reports of jeopardy taken place in Punjab or K2. You can also check with the tourists who visited here as they will tell you the real story that how much they got pleased by visiting. I can assure that Pakistan is a safe country to visit and we are here to welcome them from open hearts.

8. What initiatives should Government take in order to lessen factors that are affecting Pakistan's tourism industry?

Primarily the government should pay attention to the enhancement of transportation, communication, energy sector and the promotion of tourism in the country. Apart from this, tourists who already been to Pakistan and now as a result of security reasons have discontinued their tour, should attract them as this matter needs to be tackled appropriately. Government in their capability should organize festivals with the intention of attracting tourists since Pakistan possess diversity in culture. Also the government should make use of print and electronic media intended for promoting tourism in the country.

➤ **Interview with Tourists**

**Table 3: International and Domestic Tourists in Pakistan**

| Number of tourists interviewed in Pakistan | 1               | 2           | 3             | 4                |
|--------------------------------------------|-----------------|-------------|---------------|------------------|
| Age                                        | 36              | 29          | 38            | 42               |
| Gender                                     | M               | M           | F             | M                |
| Nationality                                | Australia       | China       | UK            | UK               |
| No. of visits to Pakistan                  | 1               | 2           | -             | 2                |
| Desire to visit Pakistan in future         | Yes             | Love to     | Maybe         | Sure             |
| Idea to travel Pakistan                    | Internet        | Friend      | Internet      | Travel guide     |
| Booking of your transport                  | Travel agent    | Internet    | Travel agency | Travel agency    |
| Internet booking willingness               | No              | Yes         | No            | No               |
| Purpose of visit                           | Holidays        | VFR         | Holidays      | Business purpose |
| Length of stay                             | 10 days         | 1 month     | 2 weeks       | 3 weeks          |
| Type of Accommodation                      | 5 star Hotel    | Friends     | 5 star Hotel  | 5 star Hotel     |
| Means of Transport                         | Taxi            | Car         | Taxi          | Taxi             |
| Problems faced or fear to encounter        | Security issues | Terrorism   | Terrorism     | Language         |
| Pakistan Image                             | Fun/Terror      | Love it     | Good          | Happy but scared |
| Overall Evaluation                         | +               | ++          | +/-           | +                |
| Expectations reached                       | Yes             | Yes         | Yes           | Yes              |
| Improvement advice                         | ATM/security    | Electricity | ATM           | Peace in country |

| Number of people interviewed in Pakistan | 5              | 6            | 7             | 8                  |
|------------------------------------------|----------------|--------------|---------------|--------------------|
| Age                                      | 44             | 50           | 37            | 34                 |
| Gender                                   | M              | M            | M             | M                  |
| Nationality                              | USA            | UK           | Sweden        | Netherlands        |
| No. of visits to Pakistan                | -              | 1            | -             | -                  |
| Desire to visit Pakistan in future       | Yes            | Yes          | Yes           | Maybe / Depends    |
| Idea to travel Pakistan                  | Internet       | Internet     | Travel guide  | Internet           |
| Booking of your transport                | Travel agent   | Internet     | Travel agency | Internet           |
| Internet booking willingness             | No             | Yes          | No            | No                 |
| Purpose of visit                         | Holidays       | Holidays     | Holidays      | Holidays           |
| Length of stay                           | 2 weeks        | 1 week       | 16 days       | 2 weeks            |
| Type of Accommodation                    | 5 star Hotel   | 4 star Hotel | 5 star Hotel  | 5 star Hotel       |
| Means of Transport                       | Taxi           | Taxi         | Taxi          | Taxi               |
| Problems faced or fear to encounter      | Terrorism fear | Terrorism    | Terrorism     | Law and order      |
| Pakistan Image                           | Terror         | Ok           | Good          | Really warm        |
| Overall Evaluation                       | +              | +            | +/+           | +                  |
| Expectations reached                     | Yes            | Yes          | Yes           | Yes                |
| Improvement advice                       | ATM / Wifi     | Security     | Corruption    | Wifi tourists spot |

| Number of people interviewed in Pakistan | 9            | 10           | 11               | 12                      |
|------------------------------------------|--------------|--------------|------------------|-------------------------|
| Age                                      | 44           | 50           | 37               | 39                      |
| Gender                                   | M            | M            | M                | M                       |
| Nationality                              | UAE          | Belgium      | Turkey           | UK                      |
| No. of visits to Pakistan                | 2            | -            | 1                | -                       |
| Desire to visit Pakistan in future       | Absolutely   | Perhaps      | Yes              | Yes                     |
| Idea to travel Pakistan                  | Internet     | Internet     | Travel guide     | Travel brochure         |
| Booking of your transport                | Travel agent | Internet     | Travel agency    | Travel agency           |
| Internet booking willingness             | No           | Yes          | No               | No                      |
| Purpose of visit                         | Holidays     | Holidays     | Holidays         | Business reasons        |
| Length of stay                           | 2 weeks      | 1 week       | 16 days          | 2 weeks                 |
| Type of Accommodation                    | 5 star Hotel | 4 star Hotel | Motel            | 5 star Hotel            |
| Means of Transport                       | Taxi         | Car          | Taxi             | Taxi                    |
| Problems faced or fear to encounter      | Terrorism    | Terrorism    | Happy but scared | Law and order situation |
| Pakistan Image                           | Fun/Terror   | Nice         | Good             | Happy but scared        |
| Overall Evaluation                       | +            | +/+          | +/-              | +                       |
| Expectations reached                     | Yes          | Yes          | Yes              | Yes                     |
| Improvement advice                       | ATM / Wifi   | Security     | Corruption       | Wifi tourists spot      |



|                                          |           |            |                    |                        |
|------------------------------------------|-----------|------------|--------------------|------------------------|
| Number of people interviewed in Pakistan | 13        | 14         | 15                 | 16                     |
| Age                                      | 39        | 33         | 40                 | 38                     |
| Gender                                   | M         | M          | M                  | M                      |
| Nationality                              | Iran      | Nepal      | Sri Lanka          | India                  |
| No. of visits to Pakistan                | -         | -          | 1                  | -                      |
| Idea to travel Pakistan                  | Internet  | Magazine   | Friend             | Travel brochure        |
| Booking of your transport                | Internet  | Agent      | Self               | Self                   |
| Internet booking willingness             | Yes       | No         | No                 | No                     |
| Purpose of visit                         | Holidays  | Holidays   | Holidays           | Holidays               |
| Length of stay                           | 6 days    | 1 month    | 10 days            | 1 week                 |
| Type of Accommodation                    | Hotel     | Guesthouse | Friend House       | Motel                  |
| Means of Transport                       | Taxi      | Bus        | Own Car            | Bus                    |
| Problems faced or fear to encounter      | Terrorism | Terrorism  | Insurgency problem | Corruption / Terrorism |
| Pakistan Image                           | Wonderful | Amazing    | Love it            | Good                   |
| Overall Evaluation                       | +         | +/+        | ++                 | +                      |
| Expectations reached                     | Yes       | Yes        | Yes                | Yes                    |

**Table 4: Potential Tourists in Czech Republic**

| No. of people interviewed in Czech Republic             | 1            | 2                | 3            | 4              |
|---------------------------------------------------------|--------------|------------------|--------------|----------------|
| Age                                                     | 56           | 45               | 38           | 28             |
| Gender                                                  | M            | M                | M            | F              |
| Nationality                                             | Czech        | Czech            | Bangladesh   | Czech          |
| No. of visits to Pakistan                               | 2            | -                | 1            | 1              |
| Desire to visit Pakistan in future                      | Yes          | Yes              | Yes          | Yes            |
| Idea to travel Pakistan                                 | TV           | Internet         | Internet     | Internet       |
| Booking of your transport                               | Agent        | Internet         | Travel Agent | Agent          |
| Internet booking willingness                            | No           | Yes              | No           | Yes            |
| Purpose of visit / if you visit                         | Holidays     | Holidays         | Holidays     | Holidays       |
| Length of stay / if you stay                            | 2 weeks      | Don't know       | 1 week       | 1 week         |
| Type of Accommodation / if you stay                     | 4 star Hotel | Guesthouse       | 5 star Hotel | Motel          |
| Means of Transport / if visit                           | Taxi         | Taxi             | Rent a car   | Taxi           |
| Problems faced or fear to encounter / if visit Pakistan | Security     | Terrorism / bomb | Terrorism    | Law and order  |
| Pakistan Image                                          | Good         | Confused         | Good         | Ok but afraid  |
| Overall Evaluation                                      | ++           | +/-              | ++           | -              |
| Expectations reached / if you visit                     | Fully        | Can't stay       | Yes          | Don't know yet |
| Improvement advice                                      | Stability    | Security         | ATM          | Security/ IT   |

### 4.3 Impact of Tourism on the Economy

With the aim of figuring out the outcome of the questionnaires, the researcher visited PTDC to check if in reality the tourists arrival rate is diminishing. The figures which was received from them was managed badly, therefore it required to arrange into order the last 14 years so as to obtain the wanted consequence. The data was gathered from PTDC. We can judge from the below table 5 that the tourism industry of Pakistan has a fluctuation trend in varying years. The year till 2006, the number of tourists arrivals was on continuous increase and from then until 2010 there was a rise and fall scenario. The subsequent years till 2013 can be seen on a declining tendency. The year 2010 has attracted the highest number of tourist arrivals with 306 million US\$ as tourism receipts. So apart from the fluctuations in number of tourist arrivals, there is also variations in the national income rate in differing years.

**Table 5: Foreign Tourist Arrivals and Tourism Receipts**

| Years | Tourists (thousands) | Receipts (USD millions) |
|-------|----------------------|-------------------------|
| 2000  | 556,800              |                         |
| 2001  | 499,170              |                         |
| 2002  | 498,100              |                         |
| 2003  | 501,000              | 135.6                   |
| 2004  | 648,000              | 185.6                   |
| 2005  | 798,000              | 215.3                   |
| 2006  | 898,000              | 260.1                   |
| 2007  | 840,000              | 276.1                   |
| 2008  | 823,000              | 243.5                   |
| 2009  | 855,000              | 240.6                   |
| 2010  | 907,000              | 360                     |
| 2011  | 718,800              | 258                     |
| 2012  | 663,800              | 234.5                   |
| 2013  | 565,200              | 217.3                   |

(Source: PTDC, 2014)

#### 4.4 Travel and Tourism Competitiveness Report

In order to test out the performance of Pakistan tourism industry as well as its economy with its neighboring countries like China and India, the researcher gathered several related information from the Travel and Tourism Competitiveness Report 2014 and therefore have done assessment with them in some fields. It is vital in a sense that as it shows in which areas Pakistan tourism industry lacks behind and what department is required to be focused on with the purpose of gaining competitive advantage above other countries. In accordance with the worldwide ranking data in the year 2013 as shown in the Table 6, Pakistan positions 128 out of 144 countries, whereas China and India are ranked 28 and 71 respectively. If done comparison with the previous years, Pakistan performance has not been progressive and therefore is in deteriorating situation in terms of productivity and prosperity, which is an alarming situation. Moreover, the researcher have done the comparison of foreign tourist arrivals amongst Pakistan, India and China from the year 2000 till 2013 in Table 10.

**Table 6: Travel and Tourism Ranking**  
(Rank out of 144 countries, 1 = Top)

|                 | 2011 | 2012 | 2013 |
|-----------------|------|------|------|
| <b>CHINA</b>    | 29   | 29   | 28   |
| <b>INDIA</b>    | 59   | 59   | 71   |
| <b>PAKISTAN</b> | 120  | 124  | 128  |

Source: Blanke & Chiesa, 2013

**Table 7: Business Environment and Infrastructure**  
(Rank out of 140 countries, 1 = Top)

|                                         | CHINA | INDIA | PAKISTAN |
|-----------------------------------------|-------|-------|----------|
| Business Environment and Infrastructure | 63    | 67    | 104      |
| Tourism Infrastructure                  | 101   | 95    | 119      |
| Air transport Infrastructure            | 35    | 39    | 96       |
| Ground transport Infrastructure         | 51    | 42    | 77       |
| Price competitiveness                   | 37    | 20    | 15       |
| ICT Infrastructure                      | 74    | 111   | 121      |

Source: Blanke and Chiesa, 2013

We can notice from Table 7 that Pakistan lacks far behind in overall business environment and infrastructure as compared to its neighboring countries. The only good thing is that Pakistan ranks good in terms of price competitiveness when comparing to both India and China.

**Table 8: Regulatory Framework**  
(Rank out of 140 countries, 1 = Top)

|                              | CHINA | INDIA | PAKISTAN |
|------------------------------|-------|-------|----------|
| T&T Regulatory Framework     | 71    | 110   | 131      |
| Policy guidelines            | 86    | 125   | 120      |
| Environmental sustainability | 109   | 107   | 132      |
| Safety and security          | 67    | 74    | 137      |
| Hygiene and health           | 82    | 109   | 107      |
| Prioritization of T&T        | 45    | 98    | 131      |

Source: Blanke & Chiesa, 2013

From Table 8 we can view that Pakistan stays at the rear in almost all sectors except in the policy guidelines plus hygiene and health zones. In this both mentioned zone, Pakistan stays ahead from India but China is far ahead than Pakistan.

**Table 9: Human, Cultural and Natural Resources**

(Rank out of 140 countries, 1 = Top)

|                                           | CHINA | INDIA | PAKISTAN |
|-------------------------------------------|-------|-------|----------|
| T&T human, cultural and natural resources | 13    | 21    | 116      |
| Human resources                           | 38    | 96    | 115      |
| Affinity for T&T                          | 129   | 111   | 136      |
| Natural resources                         | 5     | 9     | 86       |
| Cultural resources                        | 15    | 24    | 71       |

Source: Blanke & Chiesa, 2013

From the above Table 9, we can observe that India and China is far ahead than Pakistan as Pakistan lacks behind in all areas.

**Table 10: Foreign Tourist Arrivals Comparison**

| <b>Years</b> | <b>China</b> | <b>India</b> | <b>Pakistan</b> |
|--------------|--------------|--------------|-----------------|
| 2000         | 31,229,000   | 2,649,000    | 556,800         |
| 2001         | 33,167,000   | 2,537,000    | 499,170         |
| 2002         | 36,803,000   | 2,384,000    | 498,100         |
| 2003         | 32,970,000   | 2,726,000    | 501,000         |
| 2004         | 41,761,000   | 3,457,000    | 648,000         |
| 2005         | 46,809,000   | 3,919,000    | 798,000         |
| 2006         | 49,913,000   | 4,447,000    | 898,000         |
| 2007         | 54,720,000   | 5,082,000    | 840,000         |
| 2008         | 53,049,000   | 5,283,000    | 823,000         |
| 2009         | 50,875,000   | 5,168,000    | 855,000         |
| 2010         | 55,664,000   | 5,776,000    | 907,000         |
| 2011         | 57,581,000   | 6,309,000    | 718,800         |
| 2012         | 57,725,000   | 6,578,000    | 663,800         |
| 2013         | 55,680,000   | 6,970,000    | 565,200         |

Source: World Data Bank and PTDC, 2014

From Table 10 we can see that the tourist arrivals in China and India has been gradually increasing every year, whereas in Pakistan the situation of tourist inflows has been fluctuated. The year 2010 has witnessed a record rise of tourist arrivals in Pakistan which is estimated 907,000 but after this year the tourism industry has seen decline in number of tourist arrivals.

## **4.5 Role of Government towards Tourism Industry Development**

Involvement of Pakistan in world tourism conferences and attending related gatherings in various countries can turn out to be of vital importance for promotion of the tourism industry. The data obtained underneath from the internet shows the role of the government towards the enhancement of the tourism industry:

- Since 2002, International Mountain Day is being organized every year in Islamabad during the month of December.
- Pakistan participates regularly in global events like World Travel Market, International Tourism Exhibition, SAARC Trade Fair and Tourism Mart and UNWTO Travel Trade Show etc.
- The government extended tourist friendly countries from 2 to 26 for visa issuance upon arrival for one month validity plus multiple entries for group travel via elected tour operators.
- In 2014, the government inaugurated the largest Tourism Expo in the city of Lahore.
- Pakistan Tourism Friends Club has been introduced by the government, which allows members 20 percent discount on excursion packages and PTDC facilities.

## 4.6 Pearson Correlation Coefficient

This test was conducted to understand the relationship between the variables used in the regression analysis.

**Table 11: Correlation Matrix**

Correlation coefficients, using the observations 2000 - 2013

5% critical value (two-tailed) = 0.5324 for n = 14

| Variables                | Foreign Tourist Arrivals | Currency Exchange Rate | Terrorist Attacks |
|--------------------------|--------------------------|------------------------|-------------------|
| Foreign Tourist Arrivals | 1.0000                   | 0.2688                 | -0.3006           |
| Currency Exchange Rate   | 0.2688                   | 1.0000                 | 0.7041            |
| Terrorist Attacks        | -0.3006                  | 0.7041                 | 1.0000            |

From this above test it can be seen that all the variables have value less than 0.8. It means that there is no problem of multicollinearity in this data set. Multicollinearity is high dependency among exogeneous variables, particularly more than 0.8 in absolute value.

## 4.7 Breusch-Godfrey Test

**Table 12 : Breusch-Godfrey Test for first-order Autocorrelation**

|                        | Coefficient | Std. error | t-ratio | p-value  |
|------------------------|-------------|------------|---------|----------|
| Constant               | 128058      | 135303     | 0.9465  | 0.3662   |
| Currency Exchange Rate | -2962.22    | 2633.59    | -1.125  | 0.2870   |
| Terrorist Attacks      | 1156.73     | 1129.46    | 1.024   | 0.3299   |
| uhat_1                 | 0.674267    | 0.313083   | 2.154   | 0.0567 * |

Unadjusted R-squared = 0.316854

with p-value =  $P(F(1,10) > 4.63817) = 0.0567$

From the above table 6, it can be seen that the P-value is greater than the level of significance (0.05), hence the Null Hypothesis (H0) cannot be accepted. So there is no problem of Autocorrelation in this data set.



## 4.8 Breusch-Pagan Test

**Table 5 : Breusch-Pagan Test for Heteroskedasticity**

|                        | Coefficient | Std. Error | t-ratio | p-value |
|------------------------|-------------|------------|---------|---------|
| Constant               | 2.42883     | 1.63750    | 1.483   | 0.1661  |
| Currency Exchange Rate | -0.0142070  | 0.0302590  | -0.4677 | 0.6479  |
| Terrorist Attacks      | -0.00733233 | 0.0133867  | -0.5477 | 0.5948  |
| P value                | 0.462850    |            |         |         |

From the above table 7, it can be seen that the P-value is greater than 0.05, hence the Null Hypothesis (H<sub>0</sub>) cannot be accepted. So there is no problem of Heteroscedasticity in this data set.

## 4.9 Regression Analysis

Regression Analysis explains the relationship of dependent and independent variables in statistical way.

**Table 6 : Results from Regression Analysis**

OLS, using observations 2000-2013 (T = 14)

Dependent variable: Foreign Tourist Arrivals

|                        | <i>Coefficient</i> | <i>Std. Error</i>  | <i>t-ratio</i> | <i>p-value</i> |     |
|------------------------|--------------------|--------------------|----------------|----------------|-----|
| Constant               | 348655             | 140203             | 2.4868         | 0.03021        | **  |
| Currency Exchange Rate | 8646.78            | 2590.79            | 3.3375         | 0.00662        | *** |
| Terrorist Attacks      | -3900.2            | 1146.17            | -3.4028        | 0.00590        | *** |
|                        |                    |                    |                |                |     |
| Sum squared residual   | 1.42e+11           | S.E. of regression |                | 113604.2       |     |
| R-squared              | 0.548022           | Adjusted R-squared |                | 0.465844       |     |
| F(2, 11)               | 6.668725           | P-value(F)         |                | 0.012681       |     |
| Log-likelihood         | -181.1437          | Akaike criterion   |                | 368.2873       |     |
| Schwarz criterion      | 370.2045           | Hannan-Quinn       |                | 368.1099       |     |
| Rho                    | 0.481208           | Durbin-Watson      |                | 0.762632       |     |

From the above table 6, it can be noticed that both the independent variables have the significant relationship with dependent variable. Moreover currency exchange rate has positive relationship with the tourist arrivals and the Terrorist Attacks has negative relationship. It can also be seen that R-square is 54 percent which means that the tourist arrivals are determined by 54 percent to currency exchange rate and terrorist attacks, hence the model fits the data.

## **Chapter: 5 Conclusion**

Tourism is a vital sector which requires great attention as it is adjoined with a country's economic growth as it is a generator for income and brings prosperity in the country. Pakistan has one of the most attractive physical environments in the world. Highest number of tourists were received by Pakistan in the year 2010. The decline of tourism industry in Pakistan from 2011 till 2013 has been massively affected by terrorist attacks. Economic instability stays as well a key reason to fuel the decline in the industry. The sky reaching prices are making the purchases outside access for the ordinary plus the tourists. Other factors which are associated with tourism decline in Pakistan are economic instability, less marketing and publicity at worldwide level, weak tourism infrastructure, energy crisis, corruption and lack of initiative by concerned government departments.

The results through regression analysis suggests that there is negative and significant relationship between terrorists attacks and tourism arrivals, therefore we accept Null Hypothesis (H<sub>0</sub>) . It also shows that one percent increase in terrorist attack decreases tourist arrivals by 3,900 per year. The value of R<sup>2</sup> is 0.54, which shows that foreign tourist arrivals are affected by 54 % by the terrorist attacks and currency exchange rate. There is no problem of Heteroscedasticity and Autocorrelation in the data. Hence, the overall findings from questionnaires, interviews and via regression analysis shows that the main reason for tourism decline in Pakistan which is seen constantly from the year 2011 to 2013 has been primarily due to terrorist attacks.

Pakistan lacks behind in overall tourism infrastructure as compare to India and China. All these concerning elements can be converted into positivity if government seriously takes measures for the revival of the tourism industry and as well by following the route and methods of the nations, which remains as a successful destination in terms of tourism. No wonder the Government of Pakistan is taking keen interest by participating in tourism related conferences and events for the promotion of its tourism industry but what requires essentially is the maintenance of law and order situation and the elimination of terrorism from the country. Terrorists attacks have not only deteriorated the social and economic life of people but has as well portrayed the negative image of Pakistan globally.

## Chapter: 6 Recommendations

The purpose of having planned strategies is to get the most out of tourism contribution with regard to the constructive icon of the country, surroundings and economic welfare of Pakistan. Even though Pakistan being a vibrant country, there remains complexity in terms of its marketing, organization and tourism enhancement. With an aim of creating job opportunities, to generate revenue by improving the tourism sector and to boost confidence amid overseas and local tourists to explore Pakistan, following tactics should be examined attentively by the government and concerned authorities representing the tourism industry.

By taking into consideration the questionnaires outcome and Travel and Tourism Competitiveness Report 2013, I believe that there is need to come up with realistic and comprehensive tourism approaches by the concerned departments so as to achieve productive results in the future. Therefore the formulated strategies are categorized under two main groups followed by subdivisions:

1. Encouraging Sustainable Expansion
2. Tourism Infrastructure and Business Surroundings

### 6.1 Encouraging Sustainable Expansion

For sustainable growth, the tourism establishment must implement the following course of actions in order to restore confidence and to enhance the declining image and circumstances of Pakistan tourism industry by ensuring and promoting sustainable development.

**Favoritism to tourism industry:** Government of Pakistan must focus and give great preference to the tourism industry by assigning adequate quantity of yearly budget, catch the attention of private investments, assisting financially the new projects and taking part in global tourism events to a greater extent.

**Sustainability of the Environment:** Pakistan is a country blessed with variety of beautiful landscapes and historical background. It is the utmost responsibility of the associated authorities and the government to sustain its natural beauty along with old historical sites

by allotting finances and to collaborate with foreign bodies like UNESCO and others in order to preserve the heritage sites. Eco-friendly vehicles should be launched by the government in order to sustain the environment.

**Safety and security concerns:** The major unhidden challenge for the government and the biggest obstacle for the tourism industry of Pakistan is the safety and security of its citizens plus tourists visiting the country. To revive the glorious day of tourism like in the past, the Pakistani government must maintain law and order situation by taking stern actions. Pakistan used to be one of the safest country in the world, therefore the government foremost priority must be to ensure security and safety by improving law and order situation so as to achieve back the lost positive image.

**Health and hygiene concerns:** The majority of the inhabitants in Pakistan are deprived from the reach of drinkable clean water, which is a serious concern. Similarly there needs to be dust bin and spray taps facilities available as lacking in some of the tourist spots. Therefore the government needs to enhance the standard of drinking water, trash system, cleanliness as well the conditions of the hospitals, clinics in order that the tourists health does not get affected.

**Local community involvement as a host:** Local residents can play a vital role by contributing significantly to the tourism industry by means of showing great hospitality to tourists, providing rooms or accommodation in their houses where hotels are very far away or not available, organizing local carnivals with reasonable price and to offer the role as a tourist guide in a situation when tourist guides are not present.

**Ease of access to facilities:** The government should focus and play its part by providing amenities to the tourists, that is to have cash machines like ATM where they can withdraw cash, acceptance of visa card, good internet facilities specially in the rural and mountainous regions as visited mainly by the visitors, inaugurate more high-quality hotels, restaurants and fast food chains.

**Enhancing competitiveness:** In a modern competitive world, it is vital to attract more tourists and to earn competitive advantage over its neighboring countries, therefore PTDC must spotlight on skilled force, creative marketing tactics and supervision systems.

**Human Resources:** The government should work along with the universities and schools in order to bring special types of training programs for tourism all through the country in a bid to generate skilled tourists guide as so far these kind of training programs are nowhere to be found inside the country.

**Natural resources:** There are six broad collection of World Heritage Sites, inherited by Pakistan, however regrettably to say that the outside world is yet not familiar with one of the oldest civilization in Pakistan, thus the establishment must take concrete steps in order to sustain and endorse these inheritance places to the tourists.

**Cultural resources:** The culture of Pakistan has been really admired through data collection from tourists inside and abroad the country. The well-liked list consists of food, music, funfairs, shopping and so on. The tourism authorities should work with Pakistani embassies overseas in order to arrange and promote local culture events like cultural shows, funfairs etc. Media should play out its crucial role by promoting the Pakistani culture and showing good documentary programs on global channels.

**Good quality assurance:** When visiting a place and spending valuable money, the tourists require quality products and services. The authorities should enhance the conditions and standards of the hotels, guest rooms and food outlets so as to give surety of quality to the visitors. Government should spotlight on making the environment neat and tidy, reduction in inflation and eradication of the energy shortage in the country.

## **6.2 Tourism Infrastructure and Business Environment**

**Friendly policy implementation:** The government should adopt rules and regulations that are welcoming to foreign investment as well as to ownership in Pakistan. The policies and time affiliated with visa obtaining in order to commence a business in Pakistan should be trouble-free for investors as there is need for investments so as to get better with its economic situation.

**Development of transportation infrastructure:** The government should pay attention to enhance the quality and production of air and ground transportation. The roads in the northern parts of the country are still in the developing stage and frequently gets damage as a result of land sliding. It is time for the government to act seriously now as it has been 67 years of independence by assigning budget for roads maintenance safety so as to prevent accidents. The tram system should be introduced by the Pakistani government in order to trim down the people's time and money.

**Price Competitiveness:** Pakistan is surrounded by high inflation rate as the price of food items and fuel has escalated. Air travel of Pakistan is costly and lacking behind with a huge margin if compared to China and India. Domestic travelers are mostly affected due to increase in prices which has resulted in travelling reduction whereas it does not quite matter to overseas tourists to tour Pakistan as it remains inexpensive for them.

**Marketing strategies:** Media and marketing are the powerhouse as well as the key source for tourism escalation. Media of Pakistan is broadminded and has coverage all over Pakistan but regrettably Pakistani media has been unsuccessful to transmit the positive image of the country. The government and tourism bodies should look in this regard as media can show positive icon of the nation by displaying its natural hidden beauty and inheritance to the external globe. National geographic is commonly well-known television channel which can turn out to be a great source of marketing for the tourism industry of Pakistan.

**Pakistan foreign embassies, students and immigrants living abroad:** A vast amount of Pakistani community resides in various countries like USA, UK, Canada, Middle East and most of the European countries. The representation of Pakistan, its culture and cuisine can

be observed in these mentioned countries as a cause of tourists visiting Pakistan. Thus, the government should take advantage through its foreign embassies and immigrants by promoting Pakistan and its culture to the outside world. Similarly students are considered the future of the country and thus can create an environment for promoting and portraying the culture and positive image of Pakistan to the outer world. Pakistani students studying abroad can play a major part by giving lectures in educational institutions, holding festivals in universities, embassies et cetera.

**Performance assessment:** Regular valuation program should be applied in order to monitor the situation and performance of the tourism industry with the aim of avoiding laziness and corruption in this department.



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## 8. Appendices

### Appendix 1: Questionnaire [1]

Dear people, I would be grateful if you could kindly offer 5 minutes of your valuable time by answering these questions and then sending it back to [feraz629@hotmail.com](mailto:feraz629@hotmail.com) as I require these answers in order to endorse my thesis work. This questionnaire is about Pakistan tourism industry and therefore is to be filled by the person who have already been to Pakistan or intend to visit. (More than 1 answers possible, where required)

1. Nationality:

2. Age:

- a) 18-24 years
- b) 25-44 years
- b) 45-64 years
- c) Over 65 years

3. Gender:

|      |        |
|------|--------|
| Male | Female |
|------|--------|

4. Have you ever visited Pakistan?

|     |    |
|-----|----|
| Yes | No |
|-----|----|

If yes, how many times \_\_\_\_\_ If not, do you plan to visit in future? \_\_\_\_\_

5. Which factor do you think is the main concern that prevents tourists to visit Pakistan? (Possibility of more than 1 answers)

- a) Economic Instability
- b) Political Instability
- c) Corruption
- d) Terrorist Attacks
- e) Poor tourism infrastructure
- f) less publicity at global level
- g) Other, what: \_\_\_\_\_

**6. For what reason you would like to visit Pakistan?**

- a) Scenic Tourist Attractions
- b) Favourable Climate Conditions
- c) Diverse Cultural Festivities
- d) Rich Historical Architecture
- e) Other, what: \_\_\_\_\_

**7. Where did you get the idea to visit Pakistan?**

- a) Travel Agency
- b) Internet
- c) Tourism Board
- d) Friends / Family
- e) Other, what \_\_\_\_\_

**8. How long did you stay in Pakistan for?**

- a) 7 days or less
- b) 8 – 14 days
- c) 15 -30 days
- d) 1 to 2 months
- e) More than 2 months

**9. What type of accommodation did you stay in Pakistan?**

- a) Hotel
- b) Guesthouse
- c) Serviced apartments
- d) Friend and relatives
- e) Other, what: \_\_\_\_\_

**10. What was the purpose of your trip to Pakistan?**

- a) Holidays
- b) Business reasons
- c) Visiting friends and relatives
- d) Other \_\_\_\_\_

**11. Which cities of Pakistan have you visited?**

---

**12. Did you come across or fear any of the subsequent problems?**

- a) Inflation
- b) Transport
- c) Accommodation
- d) Terrorism
- e) Electricity
- f) Pollution
- g) Tour guide
- h) Language problem

**13. How do you regard Pakistan's image as a tourist place?**

- a) Attractive with all facilities available
- b) Attractive but some facilities lacking
- c) Instability
- d) Own view: \_\_\_\_\_

**14. Which factors you regard as positive for Pakistan tourism industry?**

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**15. Which factors you regard as negative for Pakistan tourism industry?**

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**16. Has your journey to Pakistan confirm your expectations?**

|            |                |                   |                |
|------------|----------------|-------------------|----------------|
| Absolutely | Absolutely not | For the most part | To some extent |
|------------|----------------|-------------------|----------------|

**17. Could you please provide evaluation of the various elements of the tourism product in the country? If the question is inapplicable, you can leave the option open.**

| <u>Elements Of Tourism Product</u> | <u>Excellent</u> | <u>Very Good</u> | <u>Good</u> | <u>Average</u> | <u>Poor</u> |
|------------------------------------|------------------|------------------|-------------|----------------|-------------|
| Scenic beauty                      |                  |                  |             |                |             |
| Culture                            |                  |                  |             |                |             |
| Historical attractions             |                  |                  |             |                |             |
| Accommodation                      |                  |                  |             |                |             |
| Food and beverages                 |                  |                  |             |                |             |
| Shops                              |                  |                  |             |                |             |
| Museums                            |                  |                  |             |                |             |
| Nightlife                          |                  |                  |             |                |             |
| Feeling of security                |                  |                  |             |                |             |
| Customs and immigration            |                  |                  |             |                |             |
| Hospitality of the people          |                  |                  |             |                |             |
| Medical treatment                  |                  |                  |             |                |             |
| Cash withdrawals (e.g. ATM)        |                  |                  |             |                |             |
| Tourist Information Centre         |                  |                  |             |                |             |
| Mountain biking                    |                  |                  |             |                |             |
| Climbing                           |                  |                  |             |                |             |
| Beach                              |                  |                  |             |                |             |
| Trekking                           |                  |                  |             |                |             |
| Sailing                            |                  |                  |             |                |             |
| Quality and price in general       |                  |                  |             |                |             |

**18. What is your overall assessment of your stay?**

|           |      |         |      |
|-----------|------|---------|------|
| Excellent | Good | Average | Poor |
|-----------|------|---------|------|



## Appendix 2: Questionnaire [2]

1. Which country do you come from?

2. Age

- a) 18-24 years
- b) 25-44 years
- b) 45-64 years
- c) Over 65 years

3. Gender

- a) Male
- b) Female

4. What is the purpose of your visit to Pakistan?

- a) Holiday
- b) Visiting friends and relatives
- c) Business reasons
- d) Other, what: \_\_\_\_\_

5. How many days are you planning to stay in Pakistan?

- a) 7 days or less
- b) 8 – 14 days
- c) 15 -30 days
- d) 1 to 2 months
- e) More than 2 months

6. What type of accommodation are you staying?

- a) Hotel
- b) Guesthouse
- c) Motel
- d) Friend / Family
- e) Other, what: \_\_\_\_\_

**7. Which attraction or place would you regard as favourite?**

Attraction name: \_\_\_\_\_

**8. Are there sufficient range of shops and places to eat and drink?**

|     |    |
|-----|----|
| Yes | No |
|-----|----|

**9. Do you think Pakistan has a good transportation system?**

|     |    |
|-----|----|
| Yes | No |
|-----|----|

**10. Which factors you regard as positive for Pakistan tourism industry?**

\_\_\_\_\_

**11. Which factors you regard as negative for Pakistan tourism industry?**

\_\_\_\_\_

**12. Which factor do you think is the main concern that prevents tourists to visit Pakistan?**

- a) Economic Instability
- b) Political Instability
- c) Corruption
- d) Terrorist Attacks
- e) Poor Infrastructure
- f) Other, what: \_\_\_\_\_

**13. Does Pakistan possess range of attractions?**

|     |    |
|-----|----|
| Yes | No |
|-----|----|

**14. Do you consider visiting Pakistan good value for money?**

|     |    |
|-----|----|
| Yes | No |
|-----|----|

**15. Would you recommend others to visit Pakistan?**

|     |    |
|-----|----|
| Yes | No |
|-----|----|

### **Appendix 3: Interview questions with member of PTDC**

1. Can you please tell me what Pakistan has for tourists to see?
2. Do you consider Pakistan tourism industry has a large turn over?
3. What are the issues in your opinion which are affecting the tourism industry of Pakistan?
4. Which year Pakistan received maximum tourists and what were the dominating countries?
5. Do you consider this year tourism in Pakistan has enlarged or not?
6. What is the impact on the country's economy when the tourism and hotel industry is affected?
7. How do you see security situation in Pakistan for tourists and should they feel relaxed while coming to Pakistan?
8. What initiatives should Government take in order to diminish factors that are affecting Pakistan's tourism industry?

#### Appendix 4: Dataset for Regression Analysis

| <b>Years</b> | <b>Foreign Tourist Arrivals</b> | <b>Currency Exchange Rates</b> | <b>Terrorist Attacks</b> |
|--------------|---------------------------------|--------------------------------|--------------------------|
| 2000         | 556,800                         | 53.65                          | 15                       |
| 2001         | 499,170                         | 51.93                          | 63                       |
| 2002         | 498,100                         | 49.72                          | 64                       |
| 2003         | 501,000                         | 57.75                          | 52                       |
| 2004         | 648,000                         | 48.26                          | 41                       |
| 2005         | 798,000                         | 62.51                          | 36                       |
| 2006         | 898,000                         | 65.74                          | 28                       |
| 2007         | 840,000                         | 60.24                          | 56                       |
| 2008         | 823,000                         | 70.41                          | 71                       |
| 2009         | 855,000                         | 71.71                          | 43                       |
| 2010         | 907,000                         | 85.19                          | 30                       |
| 2011         | 718,800                         | 86.34                          | 94                       |
| 2012         | 663,800                         | 93.4                           | 123                      |
| 2013         | 565,200                         | 101.63                         | 155                      |

Source: PTDC, World Bank Data & South Asia Terrorism Portal, 2014