

CHAPTER 7



CHAPTER – 7

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CHAPTER 7

QUANTITATIVE ANALYSIS OF TOURISM INDUSTRY

7.1 Introduction

In this chapter an attempt has been made to highlight the various dimension of tourism in Nepal such as general description of tourism in Nepal like tourist inflow in the country, their mode of arrival, period of stay, purpose of visit, structure and development of air transport. It discusses also with the development of air traffic, upcoming of hotel industry, travel, rafting and trekking agencies. Special emphasis will be given on the analysis of foreign exchange earnings, employment generation, and contribution of GDP etc as evident from the impact of tourism development in Nepal.

7.2 General Description of Tourism

7.2.1 Tourists Flow in Nepal

The ebb and flow of tourism arrivals in Nepal still very much depend on the status of the world economy and political/social stability in Nepal. Nepal's tourism has seen a varied growth and fall pattern. This is attributed to many reasons like political instability in the country, especially due to Maoists insurgency, the suspension of the Indian Airlines flight following the hijacking of one of its flights that took off from Kathmandu, the June 1, 2001 massacre at the Nepalese royal palace, the 11 September 2001 attack on international world trade center of America, the Afghanistan war and the frequent bandhs and strikes announced by political parties negatively impacted tourism in Nepal. The tourist inflow declined by -5.7, -22.1 and -23.7 percent in the year 2000, 2001 and 2002 respectively which is shown in the table 7.1 below.

Table 7.1: Number of Tourists Arrival and Length of Stay in Nepal (1995-2007)

Year	Arrivals	Average Annual Growth Rate AAGR (%)	Average Duration of Stay (days)
1995	363395	11.3	11.27
1996	393613	8.3	13.50
1997	421857	7.2	10.49
1998	463684	9.9	10.76
1999	491504	6.0	12.28
2000	463646	-5.7	11.88
2001	365477	-22.1	11.93
2002	275468	-23.7	7.92
2003	338132	22.7	9.60
2004	385297	13.9	13.51
2005	375398	-2.6	9.09
2006	383926	2.3	10.20
2007	526705	37.2	11.96

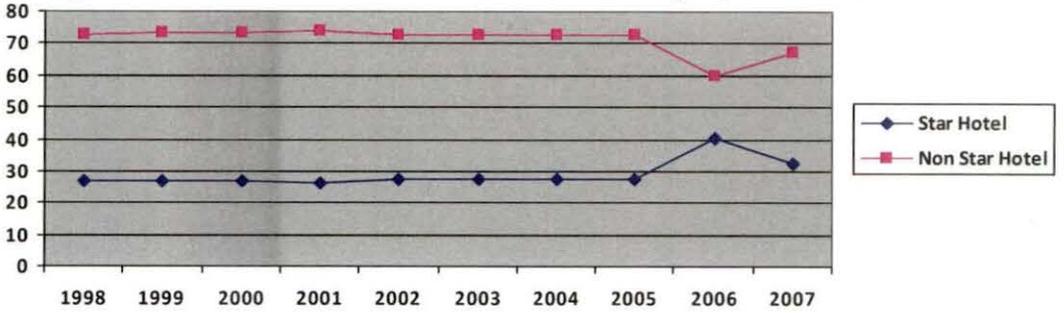
Source: Annual Statistical Report 2007, MOCTCA, Govt. of Nepal.

Table 7.1 shows that the growth of tourist inflow in Nepal has been highly fluctuating from year to year, Figure 7.1 also indicates that the fluctuation has been not only in terms of magnitude but also in terms of direction. The highest growth rate of tourism was 22.7 percent in 2003 and 37.2 percent in 2007 whereas the lowest has been -5.7 and -2.6 percent in 2000 and 2005 respectively.

The yearly growth rate of tourists' inflow has been recorded to 5.82 percent yearly for the period of 1995-2000 which improved to 6.89 percent for the following period of 2001-2007. Although, overall period of 1995-2007, the growth rate of tourist inflow has declined by -0.10 percent per year. Nevertheless, the year 2007 has been proved as a highly auspicious year in the history of Nepalese tourism. A total of 5, 26,705 tourists visited during 2007 representing an annual increase of

37.2 percent over the previous year. One of the main reasons for highest growth in tourist arrival is the ongoing peace process and relative political stability in the country.

Figure 7.1: Growth of Tourists Arrival in Nepal, 1995-2007

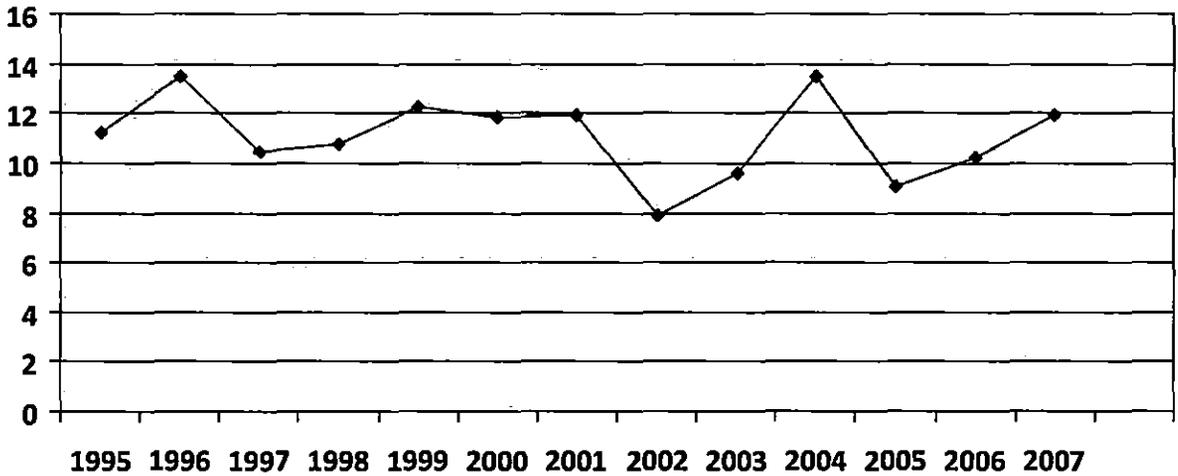


Total Tourists Arrival in Different Year

7.2.2 Average Duration of Stay

It is clear from the table 7.1 that the average length of stay of tourists visiting Nepal had been fluctuating year to year. Average length of stay of tourists was 11.27 days in 1995 which improved to 13.50 days in 1996 but, it came down again in the year 1997 to 10.49 average days. The highest average number of days stayed by the tourists in Nepal was recorded to 13.51 days in the year 2004 and the lowest was recorded to 7.92 days in the year 2002 is mostly due to political turmoil in the country. The growth rate of average number of days stayed by tourists for the year 1995-2001 was 0.26 percent per year which sharply improved to 1.65 percent during 2001-2007. In spite of this improvement the trend growth rate of average days of stay had been declined to -1.0 percent per year during 1995-2007. Average length of stay by a tourist during 1995-2001 had been 11.73 days that declined to 10.38 days in the period of 2002 to 2007. Over all the average number of days stayed by the tourists in Nepal was found 11.10 days during 1995-2007. Figure 7.2 also highlights the fact that there has been wide fluctuation in terms of stay since 1995.

Figure 7. 2: Average Number of Days Stay by Tourists in Nepal,1995-2007



7.2.3 Tourists Arrival by Air and Land Routes (1995/2007)

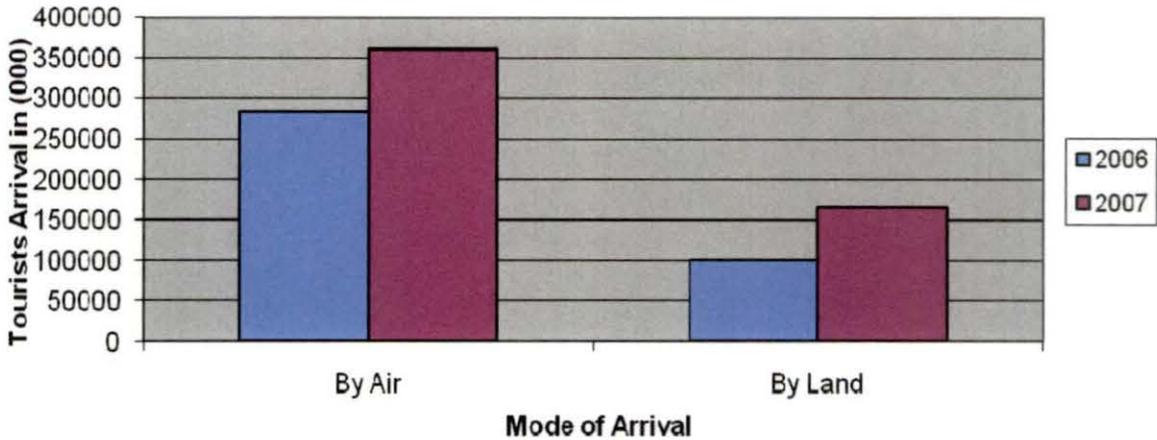
Nepal is a landlocked country. It has no sea route and has almost insignificant land connectivity for the purpose of transport. There is only one option of air route for the international tourists to land in Nepal. Tabulated data of table 7.2 shows that on the average 81 percent of total tourists arrived through the air routes in Nepal and remaining 19 percent by land since 1995 to 2000. As a matter of fact tourists arriving by air increased by average 10.97 percent per year during 1995 to 2007, while the growth rate of tourists arriving by land route increased on higher pace on average, 20.15 percent per year. From the table 7.2, it is clear that the growth rate of tourists arriving by land has been doubled (20.15 percent per year) than arriving by air route (10.18) percent per year) in Nepal. Thus, it appears that the tourists arriving by land routes are increasing at higher pace though the dominance of the air routes continues as is shown in chart 7.1.

Table 7.2: Mode of Tourist Arrival in Nepal, 1995-2007

Year	Tourist Arrival by Air	Annual Growth Rate (%)	% of Share of Tourist Arriving by Air	Tourist Arrival by Land	Annual Growth Rate (%)	% of Share of Tourist Arriving by Land
1995	325035	12.32	89	38,360	3.25	11
1996	343246	5.60	87	50367	31.30	13
1997	371145	8.13	88	50712	0.68	12
1998	398008	7.24	86	65676	29.51	14
1999	421243	5.84	86	70261	6.98	14
2000	376914	-10.52	81	86732	23.44	19
2001	299514	-20.53	83	61723	-28.83	17
2002	218660	-26.99	79	56808	-7.96	21
2003	275438	1.47	81	62694	10.36	19
2004	297335	7.94	77	87962	40.30	23
2005	277346	-6.72	74	98052	11.47	26
2006	283819	2.33	74	100107	2.09	26
2007	360713	27.09	68	165992	65.81	32

Source: Calculated from Nepal Tourism Statistics, 2008, Ministry of Tourism, Culture and Civil Aviation, Government of Nepal.

Chart 7.1: Tourists Arrival by Air & Land.2006/2007



Source: Nepal Tourism Board, 2007

7.2.4 Purpose of Visit

The purpose of visits of tourists to Nepal is classified into seven categories i.e. Pleasure, trekking and mountaineering, business, official, pilgrimage, meeting and seminars and others, Composition of tourists according to their purpose of visit to Nepal has been cited in Table 7.3. It becomes obvious from the table that the holiday pleasure trips have been the dominant part of a tourist arrival in Nepal. It is followed by trekking and mountaineering. The two categories of tourist accounted more than 80 percent of the total tourists' arrival before the nineties. Since 1995 the share of these two important components has been fluctuating over the years. In 1995, the pleasure trekking and mountaineering tourism shared 73.7 percent of the total arrivals which rose to 80.8 percent during 2000. Thereafter the share for the same category started declining to 78.9 percent and to 60.6 percent in 2001 and 2007 respectively. One reason for declining the share of this category is attributed to separate accounting for pilgrimage in any significant, because the share of pilgrimage tourists which never crossed the threshold of 4 percent during 1995 to 2001 had been fluctuated within the range of 4.5 to 10.0 percent of the total arrival during 2002 to 2007. From the above analysis it is clear that the share of pleasure and trekking and mountaineering tourism have declined in proceeding year e.g. from 2000 to 2007.

Table 7.3: Tourists Arrival by Purpose of Visit, 1995-2007

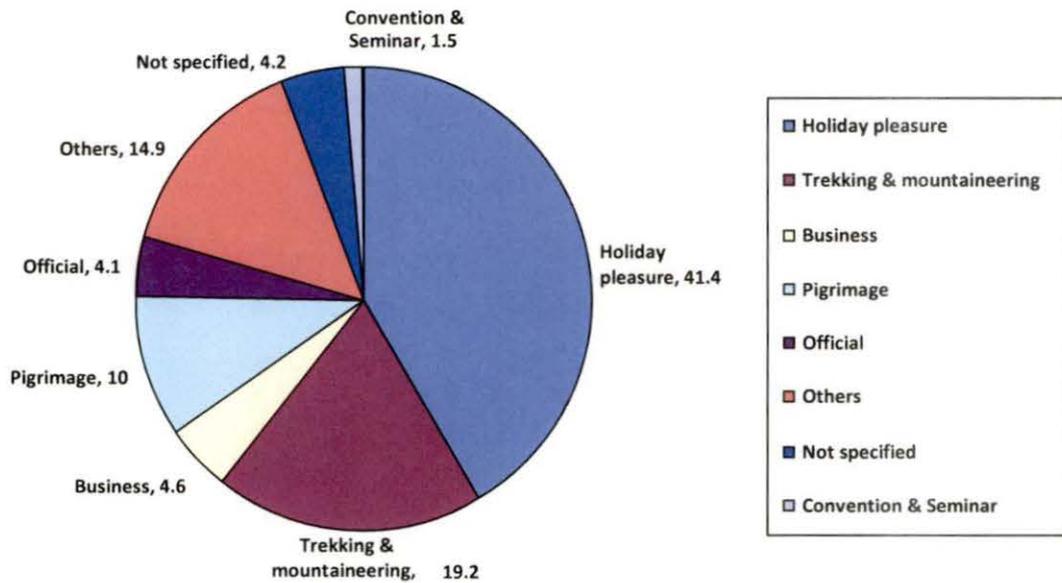
Year	Holiday Pleasure	Trekking and Mountaineering	Business	Official	Pilgrimage	Convention & Seminars	others	Not specified	Total
1995	50.4	23.3	6.0	5.5	1.4	1.5	11.8	-	100
1996	53.2	22.6	6.4	5.1	1.2	1.5	10.0	-	100
1997	59.1	21.7	6.5	5.17	1.0	1.4	4.6	-	100
1998	56.4	24.3	5.4	4.8	3.5	1.1	4.6	-	100
1999	59.2	22.0	4.8	4.9	3.9	1.2	4.0	-	100
2000	55.2	25.6	6.4	4.5	3.4	1.2	3.7	-	100
2001	51.8	27.9	5.1	5.2	3.8	0.0	6.2	-	100
2002	40.0	21.5	6.2	6.5	4.5	0.0	21.4	-	100
2003	29.0	19.4	5.7	6.5	6.3	0.0	33.1	-	100
2004	43.4	18.0	3.6	4.4	11.9	0.0	18.7	-	100
2005	42.7	16.4	5.9	4.5	12.7	0.0	17.9	-	100
2006	27.7	12.7	4.0	3.4	11.3	0.0	13.8	-	100
2007	41.4	19.2	4.6	4.1	10.0	1.5	14.9	4.2	100

Source: Nepal Tourism Statistics, 2007 & 2008, Ministry of Tourism Culture and Civil Aviation, Govt. of Nepal

Although, the year 2007 has proved to be an auspicious year for the pleasure, trekking and mountaineering tourism which grew to 41.4 percent and 19.2 percent respectively in the same year. Share of business and official tourism have not changed much for the last three decades. The average share of business and official purpose of visit has been 5.4 percent and 5 percent respectively during 1995-2007. The share of pilgrimage visit has a continuous growing trend since 1995 to 2007. This is indicated in table 7.3. This category of visit recorded highest growth rate of 12.7 percent in 2005 which declined to 10.0 percent in 2007. Similarly the share of convention and seminar have been recorded a similar but lowest growth rate of 1.5 percent in 1995 and in 2007. No visitors of this type visited Nepal since 2001 to 2006. It can be argued that the slow growth of tourism

in Nepal has not been helpful in diversifying the purpose of tourist arrivals to Nepal wherein the predominant pleasure trips are not properly encouraged.

Chart 7.2: Purpose of Visit in 2007



Source: Nepal Tourism Board, 2007

Most of the tourists arriving to Nepal are found to be pursuing recreation trekking and mountaineering as indicated in chart 7.2. Of the tourists visiting Nepal in calendar year 2007, 41.4 percent visited for pleasure and recreation, 19.2 percent for trekking/mountaineering, 4.6 percent for business, 10.0 percent for pilgrimage, 4.1 percent for official or formal, 14.9 percent others and 4.2 percent is not specified. Review of the same statistics for the year 2006 shows that the number of tourists arrivals for the purpose of pleasure, trekking and other purposes increased while those for pilgrimage decreased in 2007.

7.2.5 Share of Nepal in South Asia, Asia Pacific and World Tourism

A comparison of Nepal tourism with South Asia, Asia and Pacific and the world reveals that the visitors to Nepal has increased by a compound growth rate of 4.4 percent during 1990-2007 whereas the growth rate of world visitors have been lower at 4.37 percent a year. The growth rates of visitors of South Asia and Asia Pacific have increased at compound growth rate of 6.8 and 7.3 percent respectively.

during the same year. Nepal has a very lowest share in world market which ranges between 0.04 to 0.06 percent whereas the share of Nepal in South Asia varies from 4.17 percent to 8.57 percent in the respective year (Table 7.4). Nevertheless, Nepal has insignificant tourist arrivals as compared to world visitors but its share in South Asia is significant when compare the growth rate of Nepal with its neighboring region of North East Asia and Pacific. Nepal itself has to make some positive correction in the present growth rate.

Table 7.4: Nepal's Share in South Asia, Asia and the Pacific and World Tourism, 1990-2007 (in million)

Year	World Visitors	South Asia Visitors (Million)	Share of South Asia in World Visitors (%)	Asia and the Pacific	Share of the Pacific in World Visitors (%)	Visitors in Nepal	Nepal's share in South Asia (%)	Share of Nepal in World's Visitors
1990	436	3.2	0.73	55.8	12.79	0.25	7.81	0.05
1995	536	4.2	0.1	81.8	15.26	0.36	8.57	0.06
2000	683	6.1	0.89	109.3	16.00	0.46	7.54	0.06
2005	803	8.1	1.0	154.6	19.25	0.37	4.56	0.04
2006	847	9.1	1.07	167.0	19.71	0.38	4.17	0.04
2007	903	9.8	1.08	184.3	20.40	0.52	5.30	0.05
CGR	4.37	6.8		7.3		4.4		

Source: UNWTO, *Tourism Highlight, 2008*

Nepal Tourism Statistics, MOCTCA, Govt. of Nepal, 2008

Extract and calculated from above two sources.

Note: Calculation of compound growth rate (CGR) is based on the data in above table.

7.2.6 Region wise Tourist Inflow in Nepal

Table 7.5 shows the region wise share of tourists' arrival in Nepal during 1995 to 2007. Nepal has a considerable mix in arrivals, although Asian arrivals account for 53.69 percent of all its international visitors. Nepal's inbound tourism is centered on attracting visitors from India (Asia) and industrialised countries of Western Europe (Table 7.5). Asia contributes the largest share of tourist arrivals.

Table 7.5: Region Wise Share of Tourists Arrival in Nepal, 1995- 2007(in percent)

Year	North America	Central & South America	Western Europe	Eastern Europe	Africa	Asia		Total	Australia & Pacific	Others	Total
						India	Others				
1995	8.2	0.8	36.8	1.1	0.3	32.3	17.4	49.7	3.2	00	100
1996	7.8	1.1	33.7	1.5	0.5	31.1	21.2	52.3	3.1	00	100
1997	8.6	1.1	32.5	1.5	0.4	31.6	21.2	52.8	3.1	00	100
1998	9.3	1.3	32.6	1.4	0.4	30.9	21.0	51.9	3.1	00	100
1999	9.5	1.2	33.6	1.4	0.4	28.6	22.2	50.8	3.1	00	100
2000	10.6	1.3	34.6	1.5	0.4	20.7	27.7	48.4	3.4	00	100
2001	10.8	1.3	36.4	1.7	0.4	17.8	27.9	45.7	3.6	00	100
2002	7.7	1.0	31.9	1.9	0.4	24.3	29.7	54.0	3.3	00	100
2003	6.8	0.7	28.1	1.9	0.5	25.5	33.6	59.2	2.8	-	100
2004	6.6	1.2	30.2	2	0.3	23.4	33.3	56.7	2.8	0.2	100
2005	6.1	0.9	26.1	2.2	0.3	25.7	35.6	61.3	2.2	0.7	100
2006	6.1	0.9	26.1	2.2	0.3	25.7	35.7	61.4	2.2	0.7	100
2007	5.9	2.5	25.7	4.9	0.4	18.3	35.5	53.8	3.1	3.7	100

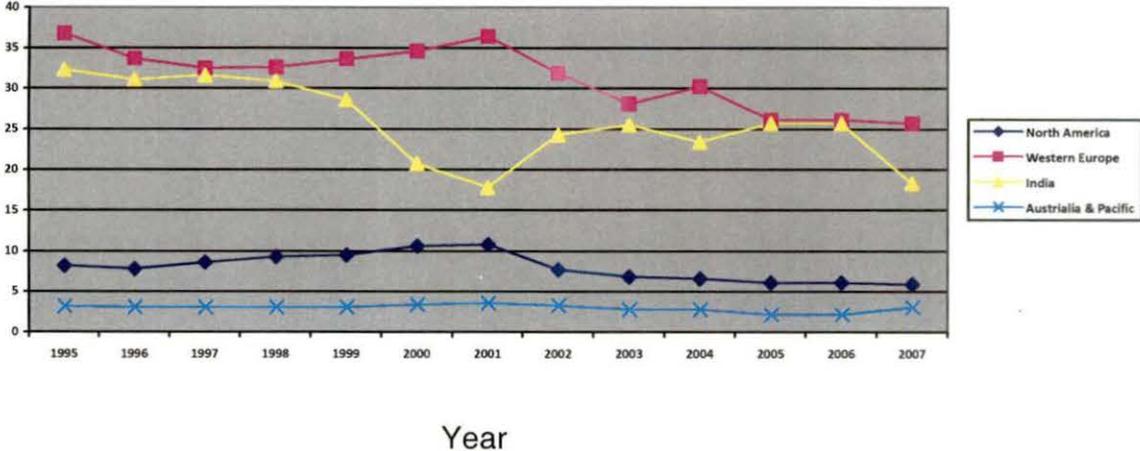
Source: Estimated Survey, 2007/08, Ministry of Financial, Govt. of Nepal.

Its share was 49.7 and 52.3 percent in 1995 & 1996 respectively but it declined to 45.7 percent in 2001. Since 2002, the share of Asian tourist to Nepal improved significantly from 54 percent to 61.4 percent during 2002/2006 which again declined to 53.8 percent in 2007. Western Europe occupied the second position in tourists arrival to Nepal. It is argued that its share was above 45 percent around mid seventies that has been continuously declining thereafter to become only one third of the total after the mid nineties. The share of Western Europe had again come down to 28.1 percent to 25.7 percent between 2003 and 2007. Decline in the share particularly from Western Europe must be a cause of concern to the tourists industry of Nepal. The North America occupied the third position in tourists' arrival to Nepal which continued between 8.2 and 5.9 percent of total tourists during 1995/2007. Central and South America, Eastern Europe, Africa and

Australia and Pacific have in significant shares in the total varying between 2-3 percent all along. It is clear from the above analysis that the pattern of tourist inflow has been lop-sided towards Asia and Western Europe. The latter has been reducing its share rapidly in relative terms due to the slow growth rate as is shown through the figure 7.3.

Continents, like Northern America and Australia and Pacific have not been much enthused towards Nepal which is being reflected through their depleted shares. It is more important to say that the new groups of countries from central and South America, Eastern Europe and Africa have not responded positively towards Nepal's tourism. Therefore some promotional tourism marketing strategy should be enhanced in this regard to attract the tourists from the countries such as Northern America and Australia, etc.

Figure 7.3: Share of Tourists from Major Destinations of the World, 1995- 2007



7.2.7 Pattern of Airlines' Expansion

Generally, the foreign tourists prefer to visit Nepal by air route. It became very popular since the mid 60s in Nepal. The airlines which had been operating to Nepal from earlier times are mainly Indian Airlines, Nepal Airlines and Pakistan Airlines (Table 7.6). In the beginning of 1970s, Thailand and Bangladesh also started operating. In the late 1980s, airlines from some other neighbouring countries like Bhutan, China, Russia and also Singapore started operating airline, services to Nepal. Similarly after the mid 1990s many countries of the world like, Austria, Qatar, Saudi Arabia, Druk Airlines, Gulf Air, Sahara Airlines, Jet Air, Cosmic Air and other

Airlines joined the airline operation, The national carrier Nepal Airline Corporation (NAC) operates flights to Europe and Japan as well as the regional destinations. However 12 airlines in total operate services for international traveling.

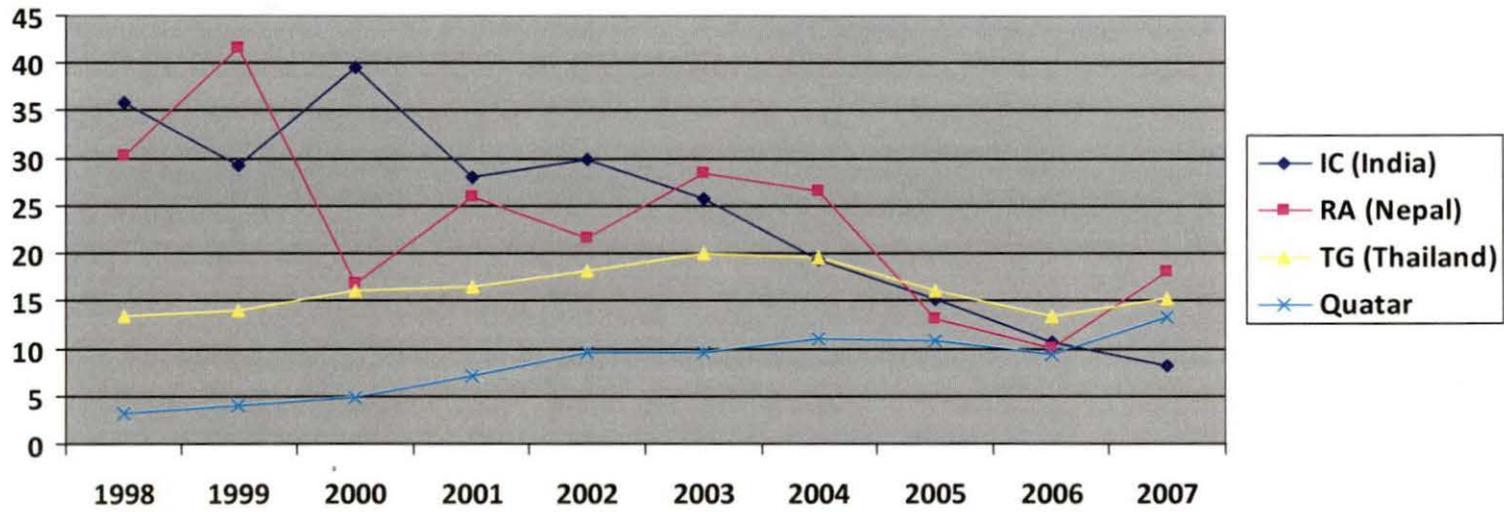
Table 7.6 shows the market shares of some important airlines operating in tourist's arrival in Nepal. The six airlines like Nepal, India, Thai, Qatar, Gulf and Bangladesh have been transporting more than 85 percent. The share of these airlines was more than 95 percent before the 1988. Thereafter, some other airlines came to the fore and consequently their share started declining which had become 64.3, 50.8 and 63.0 percent in the year 2005, 2006 and 2007 respectively. Among the six major airlines up to 2004 sometimes Indian Airlines and Nepal Airlines have the highest shares shown in the figure 7.4. The third important airlines have been from Thailand maintaining upward trend since 1988. Its share was 13.4 percent to total tourists' arrival in Nepal in 1998 which rise to 20.0 percent in 2003 but again the share started declining to 19.6, 16.2, 13.4 and 13.4 percent in 2004, 2005, 2006 and 2007 respectively. It will be very interesting to quote that the share of Thai Airlines has gone to highest (16.2 and 13.4 percent) than the share of Indian and Nepal Airlines in 2005 and 2006. The other two airlines, from Quatar and Gulf shared 7.38 and 4.47 percent of air traffic respectively during 1988 to 2007. The Bangladesh and Pakistan hardly shared 3.20 and 1.2 percent of air traffic during the same period.

Table 7.6: Market Shares of Important Airlines in Tourists Arrival in Nepal, 1998-2007 (in percentage)

Year	NA	IC	TG	QR	GF	BG	OS	KB	PK	9W	CA	F5	SZ	SQ	SU	HV	3z	S2	KA	others	Total
1998	36.0	30.4	13.4	3.2	0.9	3.6	0.9	0.8	2.8	-	-	-	2.3	2.7	0.9	0.6	0.1	-	-	1.3	100
1999	29.3	31.8	14.0	4.2	2.5	3.6	2.7	0.9	2.2	-	-	-	2.3	3.0	1.0	1.1	0.9	-	-	0.5	100
2000	39.7	17.0	16.2	5.0	2.9	3.7	2.8	1.0	2.3	-	-	-	2.0	3.4	1.1	1.1	1.1	-	-	0.9	100
2001	28.0	26.1	16.6	7.2	3.4	4.0	2.7	0.9	2.1	-	-	-	2.6	3.5	1.3	0.7	-	-	0.5	0.5	100
2002	30.0	21.7	18.2	9.6	4.5	4.4	3.1	1.2	-	-	-	-	2.4	1.6	0.0	-	-	-	-	3.2	100
2003	25.7	28.5	20.0	9.6	6.7	4.0	2.3	1.2	-	-	-	-	1.2	-	-	0.7	-	-	-	0.2	100
2004	19.4	26.6	19.6	11.1	5.7	3.2	2.3	1.5	0.9	5.1	-	-	20.0	-	-	-	-	-	-	3.1	100
2005	15.2	13.3	16.2	11.0	6.9	1.7	1.8	2.6	0.7	7.2	2.3	16.5	-	-	-	-	-	-	-	4.7	100
2006	10.7	10.1	13.4	9.5	5.4	1.7	1.3	1.7	0.6	7.0	1.7	7.9	-	-	-	-	-	-	-	7.8	100
2007	8.3	18.2	15.2	13.4	5.8	2.1	0.8	1.9	0.6	10.9	5.0	1.0	-	-	-	-	-	10.5	2.1	3.5	100

Source: Nepal Tourism Statistics, Ministry of Tourism, Culture and Civil Aviation, Govt. of Nepal, 2008

Graph: 7.4: Share of Important Airlines, 1998-2007 (in percent)



7.2.8 Development of Hotel Industry in Nepal

Development of Hotel Industry in Nepal is a recent phenomenon. In 1959, there were 10 hotels with 88 beds, all of them were in Kathmandu and were used by Indian businessmen and a few overseas tourists (DOT, 1972). As the tourists arrival in the last decades were increasing, so was the growth of accommodation sectors in between 1960 and 1998, the number of hotels and beds increased by 73.9 and 328.1 (Number of Hotel 739, beds 28878) times respectively.

Table 7.7: Beds with Annual Growth Rate, 1995-2007 (in percentage)

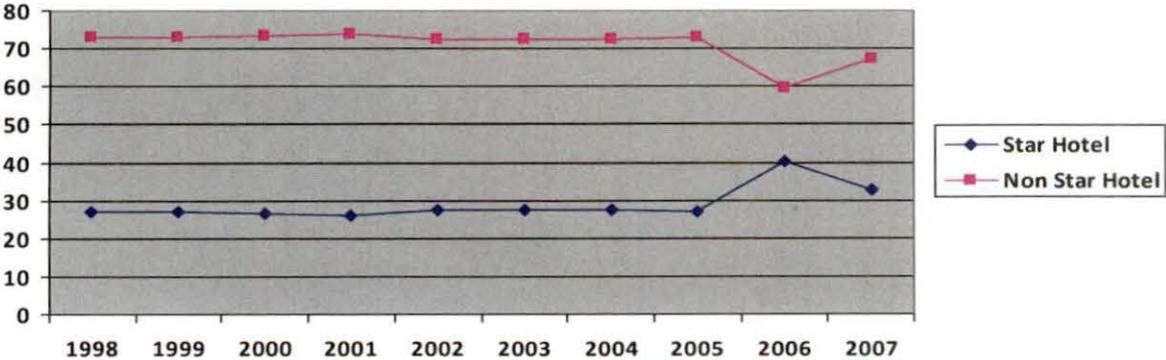
Year	Star Hotel		Non Star Hotel		Total		Annual Growth Rate in (%)		Share Of Beds in (%)	
	Total number	Total beds	Total number	Total beds	Hotels	Beds	Hotels	Beds	Star hotels	Non Star hotels
1995	72	6502	448	15305	520	21807	-	-	29.81	70.18
1996	79	7050	553	18558	632	25638	21.53	17.56	27.49	72.50
1997	86	7779	620	19833	706	27612	11.70	7.69	28.17	71.82
1998	89	7842	650	21036	739	28878	4.67	4.55	27.16	72.84
1999	87	8656	698	23558	785	32214	6.22	11.55	26.87	73.13
2000	94	9320	754	25638	848	34958	8.03	8.52	26.66	73.34
2001	97	9430	791	26733	888	36163	4.72	3.45	26.08	72.92
2002	104	10289	839	27327	943	37616	6.19	4.01	27.35	72.65
2003	108	10535	858	27735	966	38270	2.43	1.74	27.52	72.48
2004	110	10715	886	28392	996	39107	3.10	2.19	27.40	72.60
2005	110	10715	896	28669	1006	39384	1.00	0.71	27.21	72.79
2006	105	9763	502	14497	607	24260	39.66	38.40	40.24	59.76
2007	95	8774	539	18091	634	26865	4.45	10.74	32.66	67.34

Estimated

Source: Economic Survey, 2007/08, Ministry of Finance, Government of Nepal, July, 2008

The number of hotels has increased at compound growth rate of 1.99 percent per year during 1995-2007. Similarly, the number of total beds increased by 2.09 percent per year during the same period. However if we split the total number of hotels and beds into star and non-star categories, the growth of star hotels has been 2.80 a year while their number of beds increased by the growth rate of 3.03 percent per year during 1995/2007. On the other hand, respective growth rate for the non-star categories has declined to 1.85 percent and 1.67 percent per year during the respective period. The slower expansion of non-star categories of hotels in Nepal might be due to the uncertainty and instable political situation in the country. Higher growth of star hotel is accompanied by their decentralisation, unlike non-star hotels which are concentrated mainly in Kathmandu. Out of six star hotels, five are located in capital city of Kathmandu and the next one is recently opened in Pokhara, the second busiest tourists' hob of Nepal. Annual growth rate of the number of hotels and beds in the above table shows a wide fluctuation. There has been upside down in terms of share of beds between star hotels and non-star hotels. The share of the total beds of star hotel and non-star hotel were around 28 and 73 percent respectively during 1995/1998. Afterward, the share of bed for both the category has widely fluctuated by 40.24, 32.66 percent and 59.78, 67.37 percent in 2006 and 2007 respectively (figure 7.5). The trend of declining the number of beds of both the star and non star hotel is due to internal political disorder of the country.

Figure 7.5: Share of Beds by Star and Non-Star Hotel in Nepal, 1998-2007



7.2.9 Travel and Trekking Agency

Travel and trekking agencies are the important components of tourism industry. It is an indicator of tourism development which offers the great attraction to the visitors. Travel agent on the one hand works as an advisor to the tourist providing required infrastructure which inspire them to travel to a particular place and trekking agencies help trekker by providing necessary equipments, arranging food and lodging, experienced guide, porters and necessary government permit and formalities on the other.

The number of travel and trekking agencies are ever increasing in Nepal with the increase in the number of tourists' arrival and the demand for their services.

Table 7.8: Growth of Travel and Trekking Agencies in Nepal, 1995-2007

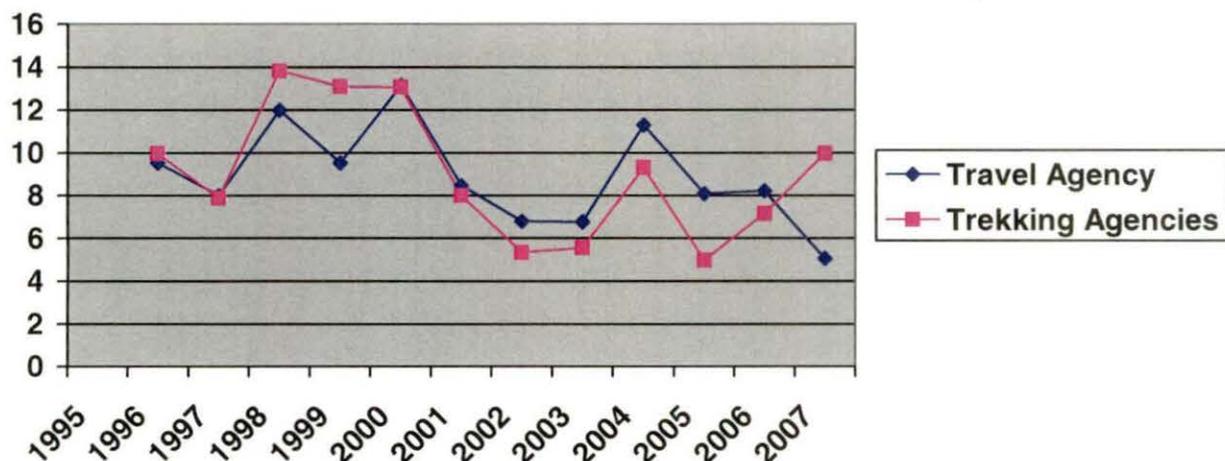
Year	Number of Travel Agencies	Growth Rate (In %)	Number of Trekking Agencies	Growth Rate (In %)
1995	388	-	311	-
1996	425	9.53	342	9.96
1997	459	8.00	369	7.89
1998	514	11.98	420	13.82
1999	563	9.53	475	13.09
2000	637	13.14	537	13.05
2001	691	8.47	580	8.00
2002	738	6.80	611	5.34
2003	788	6.77	645	5.56
2004	877	11.29	705	9.30
2005	948	8.09	740	4.96
2006	1026	8.22	793	7.16
2007	1078	5.06	872	9.96

Source: Ministry of Tourism Culture and Civil Aviation, Govt. of Nepal, 2008

In 1995, there were 388 travel and 311 trekking agencies in total in Nepal which rose to 1078 and 872 respectively in 2007 (table 7.8). The growth rate trend of travel agency for the year 1995 to 2007 was recorded 9.3 percent per year whereas the growth rate trend of trekking agencies in the above period was slightly declined at 8.88 percent per year. In fact, these growth rates were much higher in comparison to the growth rate of the tourists arrival during the same period was recorded as lowest as 0.10 percent per year. Considering the

above fact, it indicates that the impact of tourism growth on these two agencies have been similar in all respect as can be shown through the figure 7.6.

Figure 7.6: Growth of Travel and Trekking Agencies, 1995-2007 (in percent)



7.2.10 Rafting Agencies

Rafting is an adventure sport journeying on the torrential river on inflatable rubber boat. Nepal has most wonderful and variety of exciting river flowing down from the glaciers of the Himalayan range. Rafting in rivers in Nepal is most romantic and existing. A large number of adventure loving tourists are attracted by white water rafting in Nepal and many such tourists are increasing every year. The first rafting agency operated in Nepal was Himalayan river exploration under mountain travel in 1978.

Table 7.9 shows that there has been a wide fluctuation and gap in the growth of rafting agencies in Nepal from 1995-2007. The highest growth of rafting agencies recorded to 6.32 percent in 1996 but declined to - 2.24 percent in 1999. The lowest annual growth was recorded at 1.06 percent in 2007. Not any additional rafting agency was established between the year 2000 to 2002 and in the year 2006. The trend growth rate of rafting agencies in Nepal was recorded to 1.0 percent per year during 1995-2007 which shows a greater prospect of the development of rafting in Nepal.

Table 7.9: Growth of Rafting Agencies in Nepal, 1995-2007

Year	Number of Rafting Agencies	Growth Rate (in %)
1995	79	-
1996	84	6.32
1997	88	4.76
1998	89	1.13
1999	87	2.24
2000	87	-
2001	87	-
2002	87	-
2003	90	3.44
2004	91	1.11
2005	92	1.09
2006	92	-
2007	94	1.06

Source: Nepal Association of Rafting Agencies (NARA), Kathmandu, 2008.

7.3 Human Resources Development

7.3.1 Introduction

Human resources are considered as the supreme assets to give support for continuous growth and development of an organisation in order to achieve their strategic objectives. In the modern era of globalisation, human resources are said to be the key to organisational success. The top management conceptualisation of human resources management and development considerably determines customer service, organisational flexibility and realisation of organisational purpose (Swain, 2006) The success of any organisation in the long run depends very much on the quality and quantity of its human resources. Human resources development aims at developing a variety of competencies of employees and developing a dynamic work culture in the organisation to utilise these competencies and enormously contribute to organisational growth.

7.3.2 Important of HRD in Tourism

Human resources development has brought about a significant change in the field of agriculture, science, technology, management, various professions like medicine, law, engineering and teaching, politics, public administration, lame science, cooking, labour, telecommunications, research and tourism. Competency and capabilities are the main nerve centres of human resources development to achieve organisational productivity and

prosperity of a country. That can be achieved through excellent performance of human resources. An American industrialist Carnegie stated on the importance of HRD as “take away my factory, machinery, money and all that I have but leave my men, I will rebuild my industrial empire stronger and better.” Adam Smith, Robinson, Karl Marx and a number of classical and modern economists had emphasised on human resources as an important resources contributing towards the development of the economy of a nation.

Comparing with many other labour intensive service-based industries, the tourism product is meant for people. It involves the human factor more to deal with the basic needs of tourists. It is conceivable to visit the great pyramids, the Tajmahal, Hawaii Island, and Great Barriers Reef, which cannot be better understood without assistance of an interpreter. Therefore human elements are an inseparable part of the tourism industry. It is used as a tool to eradicate the poverty and unemployment by providing adequate opportunity to work efficiently in the tourism and hospitality industry. The growth and development of tourism demand on a large number of manpower to work in different categories of jobs. It is found that there is lack of well-trained and skilled manpower in this sector. It requires proper strategic planning to acquire, motivate, retain and enhance performance, loyalty and human touch. This can only be possible by proper management of the compensation package and reward management. It is revealed that human capital is the starting point of all development in the tourism organisations. The key to the successful management of tourism and hospitality industry requires better HRD practices. Tourism being a service oriented industry requires pooper knowledge and specialised skill. It is seen that most of the countries in Europe, Asia, Central America and Australia are facing the acute shortage of skilled and trailed manpower for their tourism industry. Human resources development is not properly taken care of on account of the lack of tourism training and professional institutions with need based latest curriculum. Most of the countries are lagging behind the development of tourism sector due to non-availability of adequate financial support to conduct training programmes.

7.3.3 Development of HRD in Nepal

To give a pace of tourism development in Nepal, Nepal Academy of Tourism and Hotel Management (NATHM) has been playing the key role in the production of manpower for the tourism sector as a whole. This is a public sector institution imparting manpower training and instituting regular and capsule courses in the subject of tourism, travel and hotel to create trained, skilled and knowledgeable workforce for the tourism and hospitality industry. In addition to NATHM, there are three main institutions providing diploma level

professional courses. They are Nepal College of Travel and Tourism Management, Nepal Tourism and Hotel Management College, Pokhara and Everest Institute of Hotel and Tourism Management, Nepalgunj. There has been a trend of upcoming of the institutions in the private sector to impart training to the individuals to take part in tourism sector. Now, around seventy institutions have come up in the private sector to impart tourism education in a view to supply trained manpower for the tourism sector.

Table 7.10: Manpower Trained by National Academy for Tourism & Hotel Management, 1995/96-2007-2008

Year	Number	Growth Rate
1995/96	1204	-
1996/97	1495	24.16
1997/98	1605	7.36
1998/99	1073	-33.15
1999/2000	1197	11.56
2000/2001	1126	-5.93
2001/2002	1003	-10.92
2002/2003	787	-21.53
2003/2004	1475	87.42
2004/2005	1386	-6.03
2005/2006	960	-31.32
2006/2007	1330	38.54
2007/2008*	1118	-15.94

Source: Nepal Academy of Tourism and Hotel Management, 2008

* First Eight Month

Table 7.10 represents that the manpower trained by NATHM has gradually increased but there has been fluctuation over the years. The highest 87.42 and lowest 38.54 growth rate recorded in the year 2003/04 and 2006/07 respectively. The manpower trained by the NATHM during the year 1995/96 to 2000/01 has been recorded at the trend growth rate of -3.93 percent annually. In the 2001/02 to 2007/08, the growth rate improved to 3.43 percent yearly. This growth rate is lower than the growth rate of tourist arrival which has been recorded at 6.89 percent during the year 2001 to 2007. For the overall period from 1995/96 to 2007/08, the growth rate of manpower production has declined to 1.23 percent yearly

which is slightly higher than the growth rate of the tourist arrival estimated to 0.10 percent during 1995/96 to 2007/08. For the fuller utilisation of the trained manpower in tourism activities, it is almost essential to give a pace to the tourists' arrival to Nepal.

7.4 Impact Assessment

The purpose of this subsection is to focus on the economic aspect of tourism in order to highlight the impact at the macro level. Impact of tourism on the economy of Nepal can be measured in several different ways. The most general measurement focuses on the foreign exchange earning and the contribution of tourism to national GDP, employment opportunities and human development.

7.4.1 Contribution of Tourism Industry

Tourism has become one of the largest and fastest growing industries in the global economy. It has been playing a pivotal role in the socio-economic development of most of the development as well as developing countries of the world. Today most of the countries of the world are trying their level best to strengthen their economy by promoting tourism. It has been identified as an important source of foreign exchange earning, as an industry creating employment opportunities and generating economic growth of the country. Moreover, tourism industry nourishes a country's economy, stimulates development process, restores cultural heritage, and help to maintain international peace and understanding. The travel and tourism industry makes a significant contribution to the world economy. The latest figure of the WTO shows that international tourism receipts make up some 6 percent of global exports of goods and services and 30 percent of global services exports in 2003 (WTO, 2005).

A survey of 400 policy and opinion makers in 20 countries placed these and three other industries (energy, manufacturing or agriculture) ahead of tourism in global contribution, but recently gathered statistics tell that tourism industries are ahead of all other industries in terms of economic contribution because they employ 204 million people worldwide or one in every nine workers, 10.6 percent of the global workforce. Tourism is the leading producer of tax revenue at US \$ 655 billion and world's largest industry in terms of gross output approaching US\$ 304 trillion. It accounts for 10.9 percent of all consumer spending, 10.7 percent of air capital investment and 6.9 percent of all government spending (www.treadwinginstitute.com). Further using tourism satellite accounting methods travel and tourism expected contribution to global GDP in 2005 is 10.6 percent (WTTC, 2005). With respect to the labour market for example the estimated share of people employed in

the tourism industry in 2005 in South Asia, Southeast Asia and Latin America is below the average at 5.2 percent, 7.9 percent and 7.3 percent respectively (WTTC, 2005). Similarly, in terms of share of GDP, the respective estimates are 5.5 percent, 7.5 percent, and 7.6 percent. Also developing countries' share of total international tourist arrivals and tourism receipts is disproportionately low with a strong bias towards Europe and North America (WTO, 2004).

Nevertheless, tourism remains important to many developing countries including the least developed countries. For instance, in a report prepared for the UK Department for International Development, it is estimated that the contribution of international tourism to most of its aid recipients is significant, the latter defined as either at least 2 percent of GDP or 5 percent of export earning (DFID, 1999). This includes eleven out of twelve countries that accounts for 80 percent of the world's poor with income below one US \$ per day. The contribution of tourism earnings to Nepal's GDP increased from one in percent in 1974 to 4.3 percent during 1994/95. But due to political disturbances it continues to drop to 3.6 percent and 1.5 percent in 2003/04 and 2006/07 respectively (MOCTCA, 2007).

In addition, the growth rates of international tourism (total arrivals, total expenditure and expenditure per arrival) in the decade between 1990 and 2000 were substantially higher in developing countries compared to developed countries (WTO, 2002). In the same period, developing countries (in particular least developed countries) growth rate of international tourism receipts as a proportion of receipts from all goods and services exceeded that of developed countries.

From the above analysis it is clear that tourism as an industry has emerged as the largest service industry globally in terms of gross revenue as well as foreign exchange earnings. It plays a significant role in the economies of both developed and developing countries of the globe. In Nepal, tourism is a main source of foreign exchange earning. Here an attempt has made to assess its contribution in various terms.

7.4.2 Foreign Exchange

In most to the developed as well as developing countries, "tourism" is an important source for maximising foreign exchange earning. Abundance of foreign exchange, whether resulting from export earnings or from capital inflows or reduction in exports have been assumed as a contributing factor of economic growth (Kader, American Economist, 1980; Hagen Development and planning, 1972). The increase in the stock of foreign exchange is envisaged to stimulate capital formation and has a multiplier effect to propel growth. Foreign exchange reserves show the financial strength and the stage of development of the

economy. The acceptance of currency at a predetermined rate makes the international trade easy and stabilises the rate of exchange. The rising foreign exchange earnings of a nation increase the credit worthiness in the international capital market.

Tourism is perhaps the only marketable product which results in enormous transfer of funds. It can bring valuable foreign exchange to the country without any exchange or export of merchandise. For many developing countries which are mainly dependent upon primary product such as a few basic cash crops, tourism offers a more reliable form of income. In case of European countries like Spain, Portugal, Austria, Yugoslavia and Greece, the invisible earnings from tourism are of a major significance and have a very strong positive effect on the balance of payments. Tourism has totally reshaped the economies of Japan, Hongkong, Italy, France, Singapore and Mauritius. Even countries in Eastern Europe which were shy and hesitant in the beginning, have now accepted the basic philosophy underlying tourism and have liberalised rules and regulations to allow free flow of tourists' traffic from abroad. Since Nepal adopts the policy of liberalisation in the country, tourism has been emerged as a major source of foreign exchange earning as is shown in table 7.11 .

7.4.3 Gross Foreign Exchange Earning

Gross foreign exchange earning in convertible currency was 88 million dollar in 1994. Thereafter it increased by 32.4 percent and reached to 116 million dollar in 1995 (Table 7.11). After this the earning went to decline by -0.1 and -0.6 percent in 1996 and 1997 respectively. However, the pattern of earning has not been smooth as it fluctuated widely both in terms of magnitude and direction. The fiscal years 2003 and 2007 have proved to be a beneficial year for the tourism sector because of foreign exchange earning which went to increase by 80.5 and 41.7 percent and crossed the mark of US \$ 192 and US \$ 230 million dollars respectively as is shown in figure 7.1.

Table 7.11: Gross Convertible Foreign Exchange Earning from Tourism in Nepal, 1994- 2007

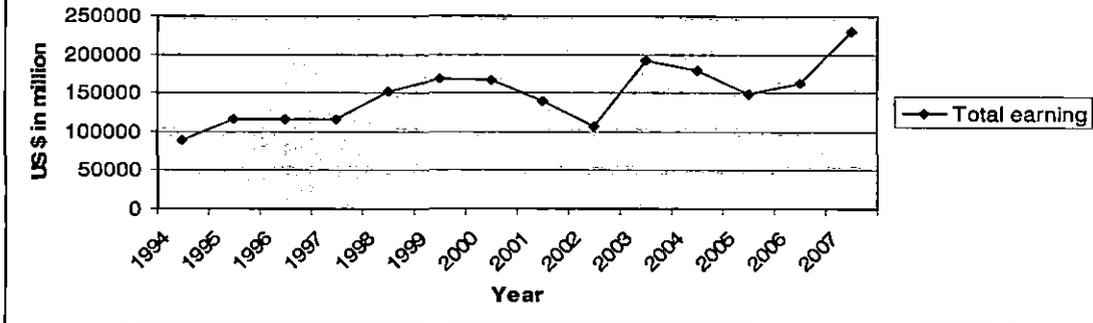
US \$ in million

Year	Total Earning in US \$	Growth Rate (in %)	Average Income Per capita in US \$	Average Income Per Visitor Per Day in US \$
1994	88195	-	393.7	39.4
1995	116784	32.4	474.5	42.1
1996	116644	-0.1	430.3	31.9
1997	115904	-0.6	401.9	38.3
1998	152500	31.6	475.8	44.2
1999	168100	10.2	479.1	39.0
2000	166847	-0.7	453.7	38.2
2001	140276	-15.9	472.4	39.6
2002	106822	-23.8	512.0	64.8
2003	192832	80.5	765.9	79.1
2004	179941	-6.7	609.8	45.1
2005	148441	-17.5	532.0	58.5
2006	162790	9.7	561.0	55.0
2007	230617	41.7	535.0	45.0

Source : Nepal Rastra Bank

Annual Statistical Report 2007, Ministry of Culture, Tourism and Civil Aviation, Govt. of Nepal.

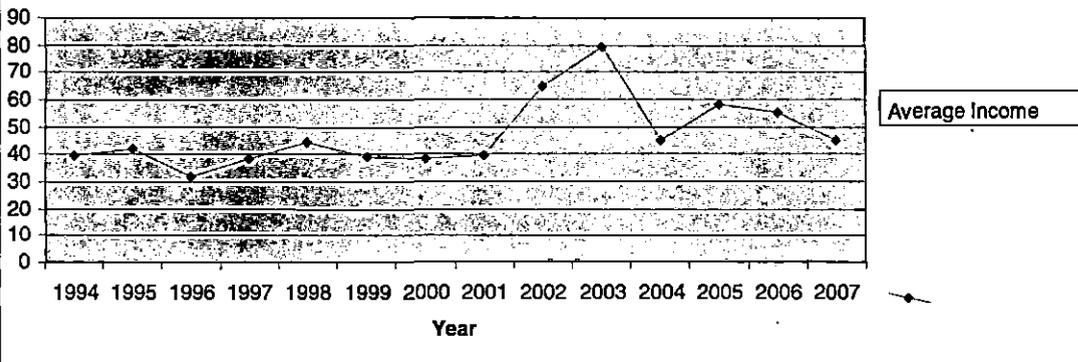
Figure 7.7 Gross Foreign Exchange Earnig in Convertible Currency 1994-2007



Average percapita income from tourists was recorded to around 400 dollars in 1994 which had remained stagnant around 450 US dollars upto 2001. Afterward, there has been sharp improvement and it went up to 610 and 766 dollars in 2004 and 2003 respectively. Nevertheless, it declined sharply to 535 dollars in 2007. The average annual growth rate of the foreign exchange earning has increased to 1.7 percent per year during 1995 to 2007.

The average income per visitor per day has been shown a similar trend since 1994 - 2001. Between these periods, the average income per visitor per day was recorded to around forty dollars (figure 7.8). Thereafter, it increased very sharply to around 65 dollars per day in 2002 and 79 dollars in 2003. This trend of average income per visitor per day could not stabilise for long. It declined to 45 dollars per day in 2007. The annual average growth rate of the average income has been found 3.52 percent yearly during 1994 to 2007. Data reveal that the tourists who come to Nepal have a trend to increase the expenditure while staying in Nepal. This very trend signifies the scope of tourism in Nepal.

Figure 7.8: Average Income per Visitor Per day 1994-2007 in US \$



7.44 Tourism Share in the Total Value of Export

It is well known that tourism has been playing a vital role in the Nepalese economy for earning valuable foreign exchange to meet the needs for import in the economy. The position of foreign exchange earning and its share in the total export is shown in the table 7.12 and figure 7.9.

The foreign exchange earning from tourism was Rs. 8,973.2 million dollars in the year 1994/95. With an annual growth rate of 6.1 percent, it reached to Rs. 9,521.2 million dollars in 1995/96 but declined to 10.5 percent in the year 1996/97. The foreign exchange earning from tourism had been fluctuated during 1994/95 to 2007/08. The higher foreign exchange earning from tourism was recorded to Rs. 18147.4 million dollars with an annual growth rate of 54.5 percent in the year 2003/04. During the year from 1994/95 to 2007/08, the foreign exchange earning had been increased with the growth rate of 1.38 percent per year. When we break-up and find out the trend of foreign currency earning for 1995 to 2001 and 2002 to 2007, the growth rate recorded to 6.0 and 1.09 percent per year respectively but when including the year 2008, the growth rate for foreign currency earning declined by -0.89 percent yearly during 2002 to 2008. Although, the data for 2008 could have covered the ratio of foreign currency earning for eight months only.

Table 7.12: Share of Tourism Earning in the total Value of Export, 1994/95-2007/08

Rs. in Million

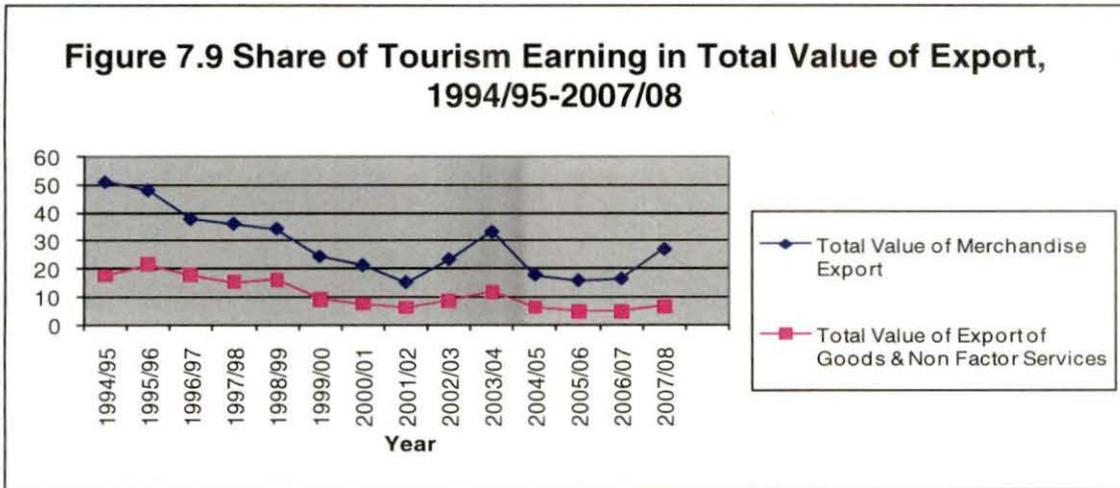
Year	Total Foreign Exchange Earning from Tourism	Share of Tourism in Total Value of Merchandise Export (in %)	Share of Tourism in Total Value of Exports of Goods & Non Factor Service (in %)	As % of Total Foreign Exchange Earning
1994/95	8973.2	50.8	21.8	17.3
1995/96	9521.2	47.9	23.3	21.4
1996/97	8523.0	37.6	13.7	17.6
1997/98	9881.6	35.9	17.4	15.2
1998/99	12167.8	34.1	18.5	15.9
1999/00	12073.9	24.2	13.0	8.8
2000/01	11717.0	21.0	12.0	7.4
2001/02	8654.3	14.9	10.6	6.1
2002/03	11747.7	23.1	15.2	8.2
2003/04	18147.4	32.9	20.3	11.4
2004/05	10464.0	17.5	12.2	6.1
2005/06	9556.0	15.5	10.9	4.6
2006/07	10125.0	16.1	10.7	4.5
2007/08*	10891.0	26.7	16.6	6.6

Source: Ministry of Finance, 2008

* First Eight Months

While observing the share of foreign exchange earning from tourism in the total value of merchandise exports of Nepal, we find that the share increased more than fifty percent in the midnineties. Thereafter the share had gone down continuously to 14.9 percent in 2001/02. However the share in merchandise export picked-up once again to 32.9 percent since mid twenties but it came down to 26.7 percent in 2007/08. Similarly, the share of tourism earning in total value of exports good and non factor services has been estimated to 21.8 percent during mid nineties. It sharply declined to 16.6 percent in 2001/02 (Table 7.12). Afterward, the share of the same has continuously improved during the mid twenties and it reached 16.6 percent in 2007/08.

Analysing the contribution of tourism in the total foreign exchange earning of the country we find that the share reached the maximum level of 21.4 percent in mid nineties. It came down to 6.1 percent in 2001/02. It is also obvious from the figure 7.9. There had been a wide fluctuation in the share of tourism in foreign exchange earning of the country. The share had seemed to improve slightly to 11.4 percent in the year 2003/04 but due to internal political disorder in the country the share again went to decline as low as 4.5 percent in 2006/07. Nevertheless, it increased slightly in 2007/08 to 6.6 percent.



7.4.5 Foreign Exchange Earning and GDP

Table 7.13 shows that the share of earning from tourism to GDP had been higher to 4.3 percent in 1994/95. Thereafter the share of GDP had gone to down sharply during 1995/96 to 2007/08 and it reached to 1.4 percent in 2007/08. On the other hand, the GDP of the country as a whole was estimated to Rs. 209976 million in 1994/95 and it increased more than three- fold and reached to Rs. 768832 million which is more than three times double than the GDP estimated during the mid nineties.

Table 7.13: Foreign Exchange Earning as Share of GDP, 1994/95 to 2007-08

Rs. in million

Year	GDP	Foreign Exchange Earning from Tourism	Share of GDP (in %)
1994/95	209976	8973.2	4.3
1995/96	239388	9521.2	4.0
1996/97	269570	8523.0	3.2
1997/98	289798	9881.6	3.4
1998/99	330018	12167.8	3.7
1999/00	366251	12073.9	3.3
2000/01	413429	11717.0	2.8
2001/02	430397	8654.3	2.0
2002/03	460325	11747.7	2.6
2003/04	500699	18147.4	3.6
2004/05	548485	10464.0	1.9
2005/06	611089	9556.0	1.6
2006/07	675484	10125.0	1.5
2007/08*	768832	10891.0	1.4

Estimated

Source: Economic Survey, 2003/04, 2007/08, Ministry of Finance, Govt. of Nepal.

Annual Statistical Report, 2008, Nepal Tourism Statistics, Ministry of Culture, Tourism and Civil Aviation, Govt. of Nepal.

* First Eight Months.

If we compare the growth of total GDP with the share of tourism earning to GDP for the year 1994/95 to 2000/01 and 2001/02 to 2007/08, we find that GDP of the country as a whole had increased with the growth rate of 11.6 percent per year for 1994/95 to 2000/01 whereas the share of tourism earning to GDP declined to -5.3 percent per year for the same period. During 2001/02 to 2007/08, the growth of GDP was 10.1 percent but the share of tourism earning to GDP continued to be negative as -10.1 percent per year. For the overall period (1994/95 to 2007/08) the growth rate of GDP was 9.9 percent whereas the share of tourism earning to GDP had been recorded to be negative (-7.8 percent per year).

From the above analysis, it is clear that tourism which has become the important sector of Nepalese economy has been gravely affected during the late nineties and mid twenties due to political disturbance in the country.

Table 7.14: Tourism Income in Convertible Currency by Sectors for the Year 2004/05 to 2006/07

Rs. in thousand

Year	Hostels	Share (in %)	Travel Agency	Share (in %)	Airlines	Share (in %)	Trekking & Rafting	Share (in %)	Tourists	Share (in %)	Others	Share (in %)	Total Tourism Income	Growth Rate (in %)	Index
2004/05	599308	5.1	4444090	37.6	691808	5.9	538011	4.5	4635264	39.2	906372	7.7	11814853	-	100
2005/06	743736	5.9	3746643	29.6	1693391	13.4	961478	7.6	4093153	32.4	1407360	11.1	12645761	7.1	107.1
2006/07	694854	5.9	3309307	28.3	1586774	13.5	809406	6.9	3986414	34.1	1324138	11.3	11710893	-7.4	099.1

Source: Nepal Rastra Bank.

Annual Statistical Report, 2005, 2006, 2007, Nepal Tourism Statistics, Ministry of Culture, Tourism and Civil Aviation, Govt. of Nepal.

7.4.6 Sector- wise Income Generation from Tourism in Convertible Currency

Sector- wise income earning from tourism is presented in table 7.15 for the year 2004/05 to 2006/07. Total income derived from tourism has increased from Rs. 11814853 in 2004/05 to Rs. 12645761 in 2005/06, registering an increment of 7.1 percent during the same period (in 2005/06). Tourism sector's income for the period 2006/07 declined negatively as -7.4 percent and reached to Rs. 11710893 during the same period. The tourism sector income grew at trend growth rate of -0.4 percent yearly from 2004/05 to 2006/07.

Among different sectors, hotel is one of the important sectors for generating income for the tourism industry. The growth of income from hotel has increased in a slow pace comparing to other sources between the period 2004/05 to 2006/07. Income from hotel has increased at annual growth rate of 1.7 percent for the same year.

The share of travel agency to the total income generated from tourism has been 37.6 percent in 2004/05 which declined to 29.6 and 28.3 percent in 2005/06 and 2006/07 respectively.

The contribution of airlines to the total income generated from tourism was 5.9 percent in 2004/05 and it increased significantly from 13.4 percent to 13.5 percent in 2004/05 and 2005/06 respectively. This shows a positive sign of the development of air service in Nepal. Income from airlines sector grew at the rate of 51.4 percent during 2004/05 to 2006/07

Trekking and rafting are the important sources of tourism income in Nepal. The share of this sector in income generation has been observed to have increased from 4.5 percent in 2004/05 to 7.6 percent in 2005/06. Although, in case of the fiscal year 2006/07, the share of this sector had declined by 6.9 percent. Overall, the income of this sector grew with the rate of 2.2 percent per year.

Tourists' sector has found to be highest income generation source to tourism industry in the country. The data for 2004/05 reveal that the contribution of this sector had increased to 39.2 percent in 2004/05 which declined in 2005/06 by 32.4 percent but it grew again to 34.1 percent in 2006/07. The annual growth rate of this sector remained 7.3 percent during 2004/05 to 2006/07.

The tourism income derived from other sector was found to be increased by 11.1 percent between 2004/05 to 2005/06 and 11.3 percent in 2006/07. The income growth of other sectors increased by 20.9 percent during this period.

7.4.7 Tourism Contribution in the Generation of Government Revenue

Tourism has significant contribution to the government exchequer too. Royalty from mountaineering expedition is one of the important sources of government revenue in Nepal. The amount of Royalty received from mountaineering is increasing gradually since beginning. The total Royalty from mountaineering increased from Rs.37,307 in 1995 to Rs. 1,01,878 in 1996 (table 7.15).

Table 7.15 Royalty Received from Mountaineering Expedition from 1995-2007
Rs. (Thousand)

Year	Royalty to Government	Annual Growth Rate (%)	Index
1995	37307	-	100
1996	101878	173.1	273.1
1997	108237	6.2	290.1
1998	95479	-11.8	255.9
1999	84989	-11.0	227.8
2000	119893	41.1	321.4
2001	127394	6.3	341.5
2002	128185	0.6	343.6
2003	181360	41.5	486.1
2004	127072	-30.0	340.6
2005	156240	23.0	418.8
2006	145612	-6.8	390.3
2007	169829	16.6	455.2

Source: Economic Survey, 2007/08, Ministry of Finance, Govt. of Nepal.

During the period of one year in 1996, the royalty increased by 173.1 percent which is around three times the amount of preceding year. The amount of royalty to government increased by 41.5 percent in 2003 was the highest amount of royalty from mountaineering

expedition during the year 1995/2007 which reached to Rs. 181360. Nevertheless in the year 2004, it sharply declined to be negative as -30.0 but improved to 16.6 percent in 2007.

For the beginning year 1995 to 2001, the growth rate of the royalty to government from mountaineering expedition had been recorded to 14.4 percent per year. It declined to 2.8 percent between 2000 and 2007. For the overall period from 1995 to 2007, the royalty to government from mountaineering increased by 8.5 percent per year.

7.4.8 Revenue Generation from National Park and Protected Areas

National parks and protected Areas are one of the major sources of revenue from tourism in Nepal shown in chart 7.3 and table 7.16. Total revenue generated from National Park and Protected Areas amounted NRs.8,95,99,892.95 in 1998/99. This rose to NRs.93502138.30 and NRs.13,40,98,49,485 in 1999/2000 and 2000/01 representing an annual growth rate of 4.4 and 43.4 percent respectively. This growth trend went to decline by -46.9 and -14.16 percent in the year 2001/02 and 2002/03. Although, the revenue from park rose to NRs. 78,470,670.95 in 2003/04 but it again came to decline by 5,57,53,094.90 during 2004/05 at a negative annual growth rate of -28.95 percent. A positive sign had been seen between the year 2005/06 to 2007/08 when the revenue from the National Parks and Protected Areas reached to NRs.6,45,81,876 and NRs.11,78,98,999 representing with an annual growth rate of 15.8 to 24.7 percent in the respected periods. Overall analysis indicates that the prospect of generating revenue from National parks and Protected Areas is immense. Therefore, if proper attention is given for conservation and management of parks it will not only generate enough revenue but also maintain the ecological balance in the country

Chart 7.3: Revenue Generation from Different Protected Areas from 1998/99-2007/08

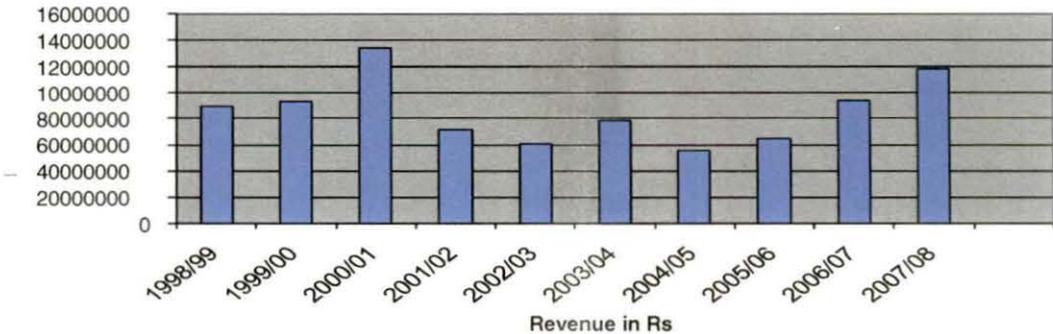


Table 7.16: Revenue Generation From Different Protected Areas, 1998/99 - 2005/06

S.No.	Protected Area	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
1.	Department of NP and WC	20385715.00	-	20953326.20	7054414.59	7254831.16	12022385.00	5485730.00	4178506.00	6534505.00	6027883.00
2.	Chitwan National Park	54543777.79	51537864.46	74302801.36	38887119.06	30831199.47	40060769.90	28137909.20	37979523.00	4773092.92	58793101.00
3.	Bardia National Park	4226068.04	7615768.57	9821783.51	4376585.83	2777654.94	3710146.91	1821863.30	1581501.00	3432490.00	4012763.00
4.	Sagarmatha National Park	4086506.65	12575969.99	15439746.19	11355101.00	10819019.00	14508487.30	13562145.40	13905852.00	17084031.44	22861928.00
5.	Langtang National Park	3498779.33	7136875.61	8550227.00	4490787.21	4866446.21	3623443.54	2513093.00	2812625.00	4428302.33	5839900.00
6.	Rara National Park	62495.00	102575.00	100372.00	74065.00	59000.00	41952.00	42350.00	11940.00	75070.00	190040.00
7.	SheyPhoksundo National Park	126994.00	225697.00	193790.00	481216.00	159460.00	133260.00	144000.00	65720.00	337627.40	390840.00
8.	Khaptad National Park	66960.00	97133.00	9402.46	34789.00	22276.00	5400.00	13986.00	22664.00	77818.00	70396.00
9.	Makalu Barun National Park	-	180750.00	313927.60	44059.00	131872.00	118554.30	87799.00	124860.00	179430.00	748463.00
10.	Shivpuri National Park	-	-	-	1800084.00	1986025.00	2370895.00	2388352.00	947515.00	2900520.00	2964618.00
11.	Shkalaphanta Wildlife Reserve	952578.27	971314.44	2419214.53	1552950.25	631871.07	523770.00	469765.00	437857.00	1664096.57	717959.00
12.	Parsa Wildlife Reserve	298989.00	193836.50	354153.00	258500.90	421860.00	563698.00	379575.00	2172693.00	9467480.08	14432290.00
13.	Koshi Tappu Wildlife Reserve	1153523.00	734659.00	1208770.00	642591.00	596281.00	573309.00	532747.00	322026.00	411314.00	542842.00
14.	Dhorpatan Hunting Reserve	197506.87	156138.76	151081.00	87387.00	1200.00	900.00	1800.00	3600.00	6235.00	81898.00
15.	Kanchanjunga Cons Area	-	263000.00	195000.00	44059.25	254800.00	213700.00	171980.00	15000.00	192560.00	224070.00
16.	Sikart Office	-	-	-	-	-	-	-	-	33600.00	0.00
17.	Total	89599892.95	93502138.30	134098494.85	71183709.09	60813795.85	78470670.95	55753094.90	64581876.00	94557172.74	117898991.00
18.	Growth Rate (in %)	-	4.4	43.4	-46.9	-14.6	-	-	-	-	-

Source: Department of National Park and Wildlife Conservation, 2008

7.4.9 Employment Generation

The economic impact of tourism industry in the national economy can also be assessed with reference to its contribution to employment generation. "Tourism as a source of employment is particularly important for areas with limited alternative" (Medlik, 1972). Millions of people throughout the world now depend directly or indirectly for their livelihood on tourism. Today more than two-thirds of employment and national income generation in the industrialised countries is attributed not to an industry or agriculture but to the service sector. The World Tourism Organisation WTO estimates that some 20 percent of the world workers are employed in tourism related services. Tourism has proved to be one of few dynamic job creators both in developed and developing countries and in nations with high level of development and income.

A study on the economic impact of tourism conducted by the World Tourism and Travel Council estimated that employment generation from tourism was 25 million equivalent full time jobs or 6 percent of India's workforce in 2001. Separate estimates prepared by the Department of Tourism, using a multiplier based on 1980 research suggests that the actual employment generation effect of (direct & indirect) tourism in India is around 42 million (include full time/part time/ casuals).

A forecast study undertaken by World Tourism and Travel Council further indicates that between 2001 and 2011, global employment contribution will increase from 207.1 million to 206.4 million jobs or 9 percent of total global employment. According to latest estimation by WTTC, the travel and tourism economy (direct & indirect employment) accounts for 7 percent of global employment. Now, 773 & 219.8 million people are directly and indirectly employed in tourism industry in global level and are expected to rise 19.8 and 275.7 million jobs respectively by 2019. (Tourism Satellite Account WTTC, 2008). A study indicates that about 1, 40,000 people in Switzerland and about a million in the United Kingdom are directly employed in the tourism industry.

Since the liberalisation of the Nepalese economy, scores of entrepreneurs started investing in tourism infrastructure and this newer employment opportunity were created in this sector. A part from the direct employment opportunities created in hotels, restaurants, curio shops, travel agencies and also in the transport, handloom and handicraft industry, the tourism industry also generates 'employment multiplier effects' by providing employment opportunities in ancillary industries such as handlooms, handicrafts, art and

crafts, sanitary ware, glassware, cutlery, crockery, furnishings, designer furniture and many other areas.

Every year, tourism generates employment for the youths as mountain guides and porters. Most of them have very meager income from agriculture. In addition, trekking and mountaineering creates opportunities for enterprise generation through the operation of tea house and lodge along the trails. A majority of these lodges are run by women. Besides this , tourism creates linkages for growth of other sector such as traditional handicrafts, agro based business and restaurants sector that overwhelmingly involve women. According to the latest Estimation of WWTC,(2009) the travel and tourism direct industry jobs estimated at 193,000, 1.8 percent of total employment in 2009 and 268,000 jobs or 2 percent of the total by 2019 as is shown in table 7.17.

Table 7.17: Employment in Mountaineering Expedition from 1995-2007.

Rs. in Thousand

Year	Number of Person Employed	Growth Rate (in %)	Index
1995	5195	-	100
1996	4925	-5.2	094.8
1997	7003	42.2	134.8
1998	6942	-0.9	133.6
1999	9690	39.6	186.5
2000	11587	19.6	223.1
2001	6203	-46.5	119.4
2002	9928	60.1	191.1
2003	14838	49.5	285.6
2004	9362	-36.9	180.2
2005	636	-93.2	012.2
2006	4344	583.1	083.6
2007	4823	11.1	092.8

Source: Economic Survey, 2007/08, Ministry of Finance, Govt. of Nepal.

Mountaineering expedition is also a source of employment generation in mountain area of Nepal. Thousands of youths are getting employment in mountaineering expedition. Employment generated in mountaineering expedition has been fluctuated year to year since 1996 to till 2007. There were 5,195 people employed in mountaineering expedition in 1995. This declined to 4,925 in 1996 representing an annual growth of – 5.2 percent. The highest number of employment generated in this sector was recorded to 14,838 jobs in the year 2003. Likewise, the lowest number of employment generated in this sector was 636 people in 2005 and declined negatively at an annual growth of – 93.2 percent. The overall period from 1995 to 2007, the average annual growth rate of the employment generated in mountaineering sector was estimated to – 4.9 percent yearly.

Table 7.18 Direct Employment Generation from Tourism Sector in 1989

Sector	Nationality		Male	Female	Total
	Nepali	Others			
Hotel	5815	101	5102	814	5916 (52.9)
Travel Agency	1520	24	1413	131	1544 (13.8)
Trekking Agency	974	4	947	31	978(88)
Airlines	2707	31	2510	228	2738(24.5)
TOTAL	11016	160	9972	1204	11,176
Percent	98.6	1.4	89.2	10.8	-

Source : Nepal Rastra Bank, 1989

How many people are engaged in the tourism sector in Nepal is difficult to figure out. Since tourism being a labour- intensive service industry, it provides direct as well indirect employment to the people. A study of income and employment generation from tourism in Nepal was conducted by Nepal Rastra Bank (Central Bank of Nepal) in 1989. The study indicated that there were altogether 11,176 people engaged in the tourism sector in Nepal during 1989. Out of which 98.6 percent were Nepalese citizen whereas 1.4 percent were from other countries of the world representing 89.2 percent males and 10.8 percent females. It was also observed that 61.7 percent workers worked as a basic manpower whereas 29.2 and 9.1 percent as middle level and top level manpower respectively. This very fact reveals that there is a great potentiality to observe a large number of unskilled manpower to the tourism industry in Nepal. The study also indicates that the hotels and

lodges of Nepal are the main employment generators rather than the other sectors. Hotel sector observed 52.9 percent labour force whereas the travel agency, trekking agency and airlines 13.8, 8.8 and 24.5 percent labour force respectively indicated in the study.

7.19: Employment Contribution from Tourism Sector from 2004 - 2009

Year	Direct Employment	As % of National Account	Indirect Employment	As % of National Account	Total Employment	Growth Rate in %
2004	267.5	2.9	584.6	6.4	852.1	-
2005	211.0	2.2	487.5	5.1	698.5	-18.0
2006	186.1	1.9	469.3	4.8	655.4	-6.2
2007	204.7	2.0	502.9	5.0	707.6	8.0
2008E	202.9	2.0	509.9	5.0	712.8	1.0
2009F	192.5	1.8	497.1	4.7	689.6	-3.3
2019F	267.8	2.0	676.5	5.0	944.3	36.9

Source: Extract from Satellite Account Table, World Travel & Tourism Council, 2009

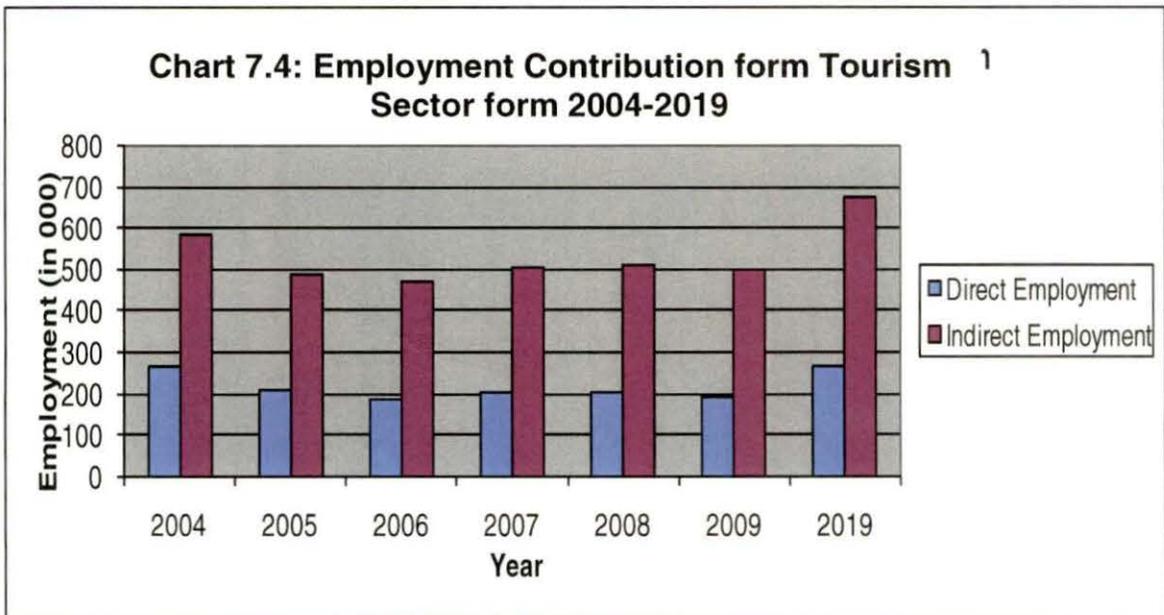
E: Estimated

F: Forecast

Table 7.19 represents the employment contribution of the travel and tourism sector in Nepal estimated by World Travel and Tourism Council from 2004 to 2009. As it is observed that tourism being a labour intensive industry provides direct and indirect employment to a large number of people in the economy. The employment generated from tourism industry in Nepal has been fluctuated over the years as has been indicated in the above table (7.19). Total 8,52,000 people including Nepalese and foreigners were employed in tourism sector in Nepal during 2004, out of which 268,000 were directly employed in several hotels, resorts, travel and trekking agency and airport, etc. whereas 5,85,000 were employed indirectly in tourism related sector such as construction firm, suppliers of food and beverage, taxi drivers, hairdressers and so on was estimated to 2.9 and 6.4 percent of the total employment of the country. The ratio of both direct and indirect employment although declined negatively by -18 and -6.2 percent for the year 2005 and 2006 respectively. Nevertheless, the year 2007 had proved as a prosperous year in the history of tourism, the direct and indirect employment sharply grew by an annual growth of 8 percent, providing 7,08,000 jobs in the economy. The total 2,05,000 and 5,03,000 people were directly and indirectly involved in the industry during the same year which was estimated to

2 and 5 percent of the total employment in the country. The total employment (including direct and indirect) grew to 71,2000 in 2008 representing a similar growth rate of total employment as was estimated in the year 2007. It was also expected that the employment generated from tourism sector would come to decline from 712,000 jobs to 690,000 jobs in 2009 at annual decline of -3.3 percent in the same year. The World Travel and Tourism Council has also estimated that travel and tourism employment will be total 944,000 jobs by 2019 creating 2,68,00 and 6,77,000 jobs (direct & indirect) in the economy which is expected to be 2 and 5 percent of the total employment of the country as is shown in chart 7.4.

The study conducted by WTTC reveals that the ratio of direct employment generated by travel and tourism sector is low in comparison to the ratio of direct employment. It indicates that domination of partial and seasonal employment in tourism sector is in wide range. Very few people are professional and career oriented in travel trade either as employers or as employees. Thus, domination of indirect and partial and the seasonal nature of employment are the shortcomings of the tourism sector employment in Nepal.



7.4.10 Conclusion

From the above analysis it is observed that tourists' arrival in Nepal has seen a varied growth and fall pattern. Due to many reasons, the growth rate of tourists arrival in Nepal has been declined negatively by -0.10 percent per year during the period 1995-2007 and the growth of average days of stay also declined to -1.0 per year for the same period. It is also further estimated that the tourists arriving by land route has increased at a higher pace of average 20.15 percent per year than the tourists arriving by air increased by average 10.9 percent during 1995-2007. More than two third of tourists are found to travel Nepal for pleasure and sight seeing followed by trekking and mountaineering. The traditional tourists from North-South America, Western Europe have shown a sign of declining growth rate during 1995-2007. Although some Asian, Eastern European tourists have been attracted towards Nepal but the case of Indian tourists towards Nepal was 32.3 percent during 1995. It declined to 18.3 percent in 2007. The inflow of Indian tourists to Nepal has declined annually 3.3 percent during 1995/2007 whereas growth of Eastern European tourists' inflow to Nepal became 1.1 percent in 1995 and it became 4.9 percent in 2007.

With the inflow of tourists to Nepal, several tourism related sectors have expanded during 1995 to 2007. The expansion of these activities such as hotels, airlines, travel, trekking and rafting agencies and the development of manpower directly reflected the other activities in the economy. In the late 1980s and 1990s, many countries of the world such as China, Russia, Austria, Qatar, Saudi Arabia, Gulf and Sahara, etc. started operating airline services to Nepal but it appears that the tourists arriving by land routes are increasing at higher pace. The growth of star and non star hotels has been higher in Nepal than the growth rate of tourists' inflow in the country. The travel and trekking agencies have been recorded a high growth of 9.3 and 8.9 which is non comparable with growth rate of tourists inflow in the country. Nevertheless, tourism related manpower development diminished negatively during the same period (1995-2007)

It is further observed that tourism has been recognised as one of the important sector of the Nepalese economy. It has a positive impact on the economy of Nepal. Its contribution to GDP, foreign exchange earnings, revenue to government and employment generation has been improving. But if we analyse the growth in respect of merchandise export, the exports of goods & non-factor services, and the overall foreign exchange earning has been shrinking in the economy. Moreover the ratio of foreign exchange earning

from tourism as well as GDP has not been increased since the last few years. The royalty of government from tourism has sharply improved.