2
Overview of Tourism in Nepal

Introduction

Throughout history, people have travelled for many different reasons. Tourism as an industry, however, began to flourish after the Second World War, with per capita incomes in the developed countries increasing significantly and the development of efficient mass air transport. The tourism industry is the largest in the world and is a complex one. The demands of international tourists, the consumers - and of international destinations, the producers - are bridged by the tourism industry. The industry consists of a wide range of enterprises supporting the mass movement of people across varied areas within a country and across international boundaries, including a variety of wholesale and retail outlets for hotels, airlines, tour operators, etc. The tourism industry sells a unique product, often called an invisible export. The product may be sold and consumed locally, but it is consumed by foreigners, i.e., the external market. Nepal is one such popular destination for tourists from all over the world.

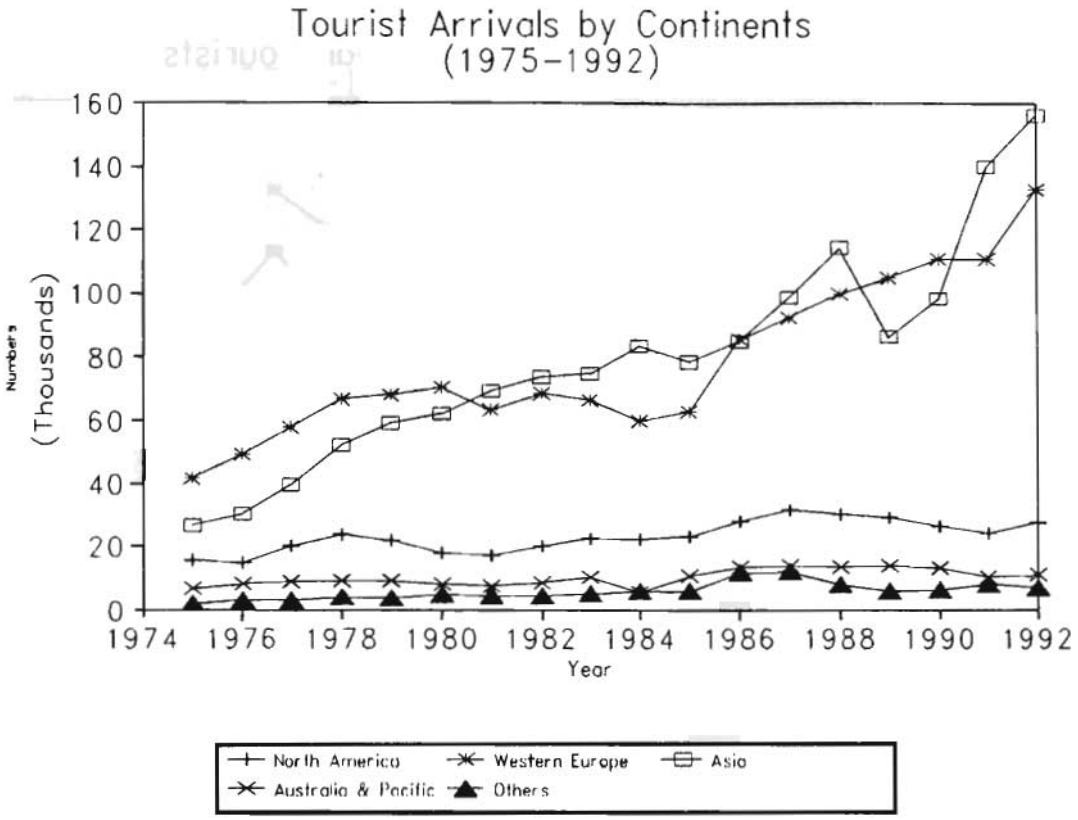
Growth of Tourism

Numbers

Table 2.1 presents historical data on tourist arrivals (including Indian) in the country over the period from 1962 to 1992. Tourist arrivals in the country have fluctuated, but the trend has been one of an average growth of over six per cent between 1976 and 1992. Most of the tourists are in the 16-45 age group, and male tourists outnumber female tourists.

The majority of tourists visiting Nepal are from Western Europe, followed by Asia, primarily Indians. Tourists from Asia have been increasing while those from North America have been declining marginally. In the early period, tourists from Asia accounted for a small percentage of the total arrivals, (Table 2.2 and Figure 2.1), but, in recent years, they comprise a huge percentage of the visitors to Nepal. Furthermore, as a nationality, Indian tourists constitute the largest number of all tourists. The percentage of Western European tourists has remained more or less the same.

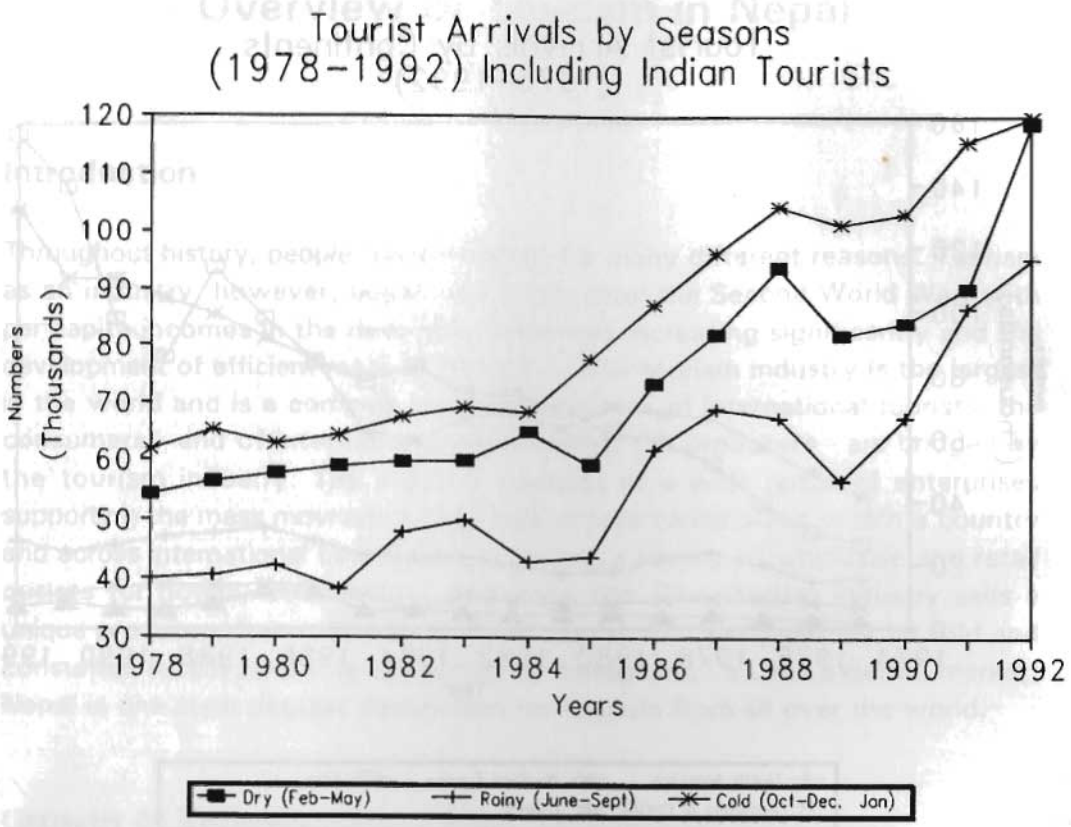
Figure 2.1



The growth rates of tourists visiting Nepal by continents and of tourists from India (1978-1992) are also presented in Table 2.2. The growth rates indicate that, including Indians, the largest growth rate occurred among Asian tourists (8.3%). Indian tourists accounted for a growth of 6 per cent. Other Asians followed with 7 per cent, followed by Western Europe with 5.3 per cent. The growth in North American tourists has dropped significantly over the years.

The pattern of tourist arrivals is somewhat seasonal. The months are divided into three seasons, namely, dry season (February to May), rainy season (June-September), and the cold season (October-January). Tourist arrivals peak during the winter season, followed by the dry season, and a relatively slack rainy season (Figure 2.2). From 1978 to 1984, the growth of tourist arrivals in all three seasons was fairly equal, but, after 1984, there was a higher growth in tourist arrivals in all the seasons. If only non-Indian tourists are considered, the

Figure 2.2

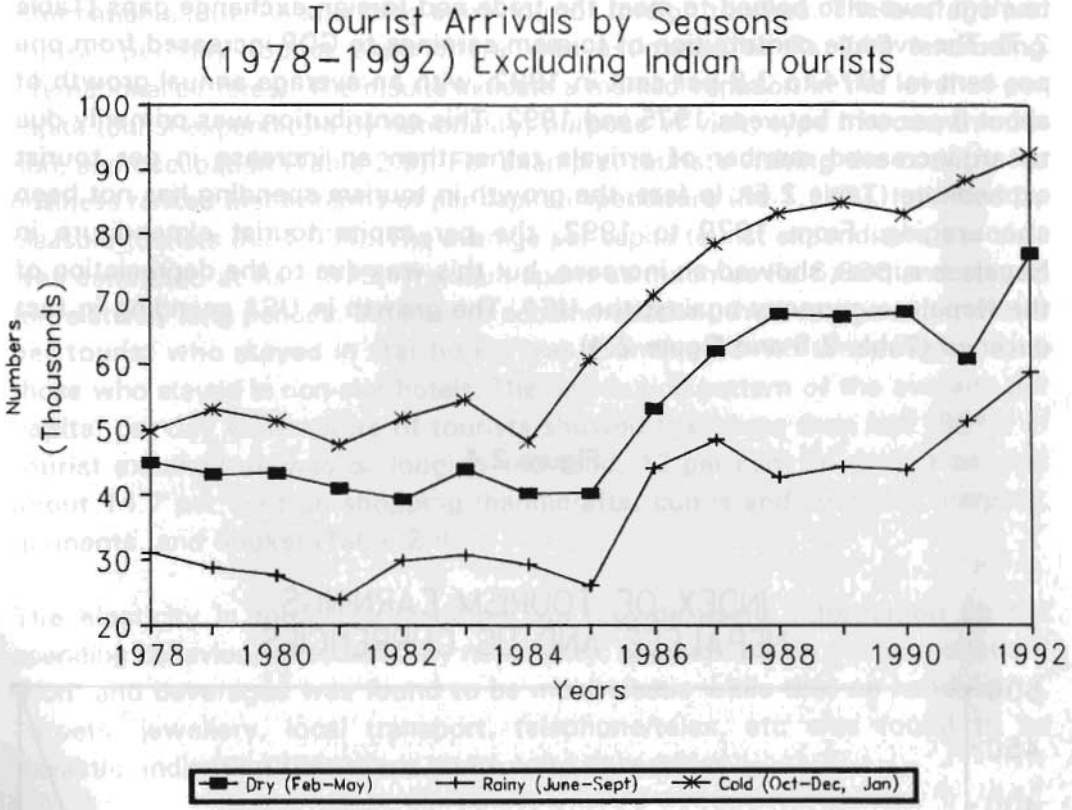


picture does not change very much (Figure 2.3). This indicates that both Indian and non-Indian tourists have a seasonal bias, with a relatively lower preference for visiting Nepal during the rainy season.

Tourists visit Nepal for different purposes. In the early years, the pleasure and trekking categories were not differentiated. The percentage of tourists visiting Nepal over the last 20 years indicates that the percentage share of this group has not changed very much (Table 2.3). In 1992, about 71 per cent of the tourists visited Nepal for pleasure, 10.5 per cent for trekking, and the remaining 18.4 per cent for business (9.5%), official (6.3%), and others (2.6%).

The number of visitor-days also shows a steady increase over the years. Visitor-days have been grouped by length of stay reported by visitors and are presented in Table 2.4. Growth rates in visitor days were estimated for each group. Visitor-days are classified into four groups, namely, 1-7 days, 8-15 days,

Figure 2.3



16-30 days, and 31 days and more. The estimated growth rates of tourist arrivals in each of these length-of-stay groups show gradual increase over time in the order of 7.65, 7.17, 5.68, and 1.57 per cent, respectively. However, the actual growth in the length of stay is almost insignificant (0.05%).[1]

Foreign Exchange Earnings

Based on the balance of payments statistics, the gross earnings from tourism increased from Rs 419.2 million in 1979 to Rs 2,838 million in 1992, at current prices, with an average annual growth rate of about 17 per cent (Table 2.6).

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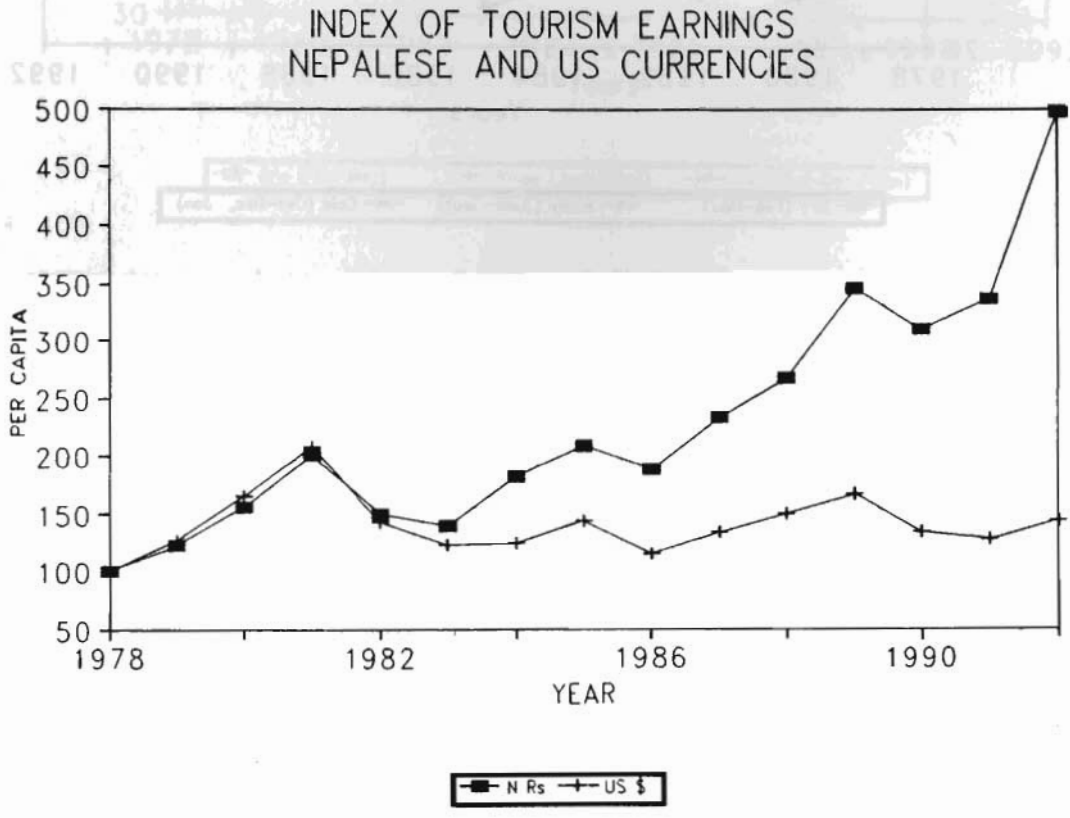
1. Total visitor-days (VDAYS) is the product of the total number of tourists (NT) multiplied by the length of stay (LS), i.e., VDAYS = NT * LS or 0.49 = 9.32 * LS or LS = 0.05.

The share of earnings from tourism in the total value of merchandise export more than trebled to about 60 per cent in 1989, from 19 per cent in 1973-74, but decreased to 35.9 per cent in 1992. Foreign exchange earnings from tourism have also helped to meet the trade and foreign exchange gaps (Table 2.7). The average contribution of tourism earnings to GDP increased from one per cent in 1974 to 3.8 per cent in 1992, with an average annual growth of about 8 per cent between 1975 and 1992. This contribution was primarily due to an increased number of arrivals rather than an increase in per tourist expenditure (Table 2.5). In fact, the growth in tourism spending has not been encouraging. From 1979 to 1992, the per capita tourist expenditure in Nepalese rupees showed an increase, but this was due to the depreciation of the Nepalese currency against the US$. The growth in US$ spending in fact declined (Table 2.5 and Figure 2.4).

Figure 2.4



Level and Pattern of Tourist Expenditure

The tourism expenditure survey reported in NRB (1990) provides useful information about the spending behaviour of foreign tourists. The average per capita, per day tourist expenditure was estimated at Rs 747 (excluding international air fares). The results indicate a marked variation in the level of per capita tourist expenditure by nationality, purpose of visit, type of accommodation, and occupation (Table 2.9). For example, tourists visiting the country for business ranked first in terms of per capita expenditure (Rs 1,148), followed by pleasure tourists (Rs 1,034). The average per capita tourist expenditure per visit was estimated at Rs 6,975. Trekkers spent as much as Rs 6,888 and stayed for relatively long periods. In terms of accommodation, the average expenditure per tourist who stayed in star hotels was found to be 4.5 times higher than those who stayed in non-star hotels. The distribution pattern of the average per capita, per day expenditure of tourists showed that more than half (53%) of tourist expenditure was on lodging and food, 12 per cent on recreation, and about 14.7 per cent on shopping (handicrafts, curios and jewellery, carpets, garments, and books) (Table 2.8).

The elasticity in tourist expenditure can provide useful information on the spending behaviour of tourists. By nationality, expenditure on accommodation, food, and beverages was found to be most elastic while that on handicrafts, carpets, jewellery, local transport, telephone/telex, etc was found to be inelastic, indicating that these items were necessities.

Furthermore, the NRB study also reveals that with every Rs 100 increment in overall tourist expenditure, expenditure on accommodation increased in the range of Rs 29 to Rs 43. Tourism is essentially a luxury and tourists have a relatively high income. According to the NRB study, the trend of tourist arrivals is relatively more reflective of the income levels of tourist originating countries and travel cost, and less dependent on other factors such as exchange rate and price differential between the host country and the tourists' country of origin. This is corroborated by studies conducted in countries like Hong Kong and Turkey (NRB 1990).

Supply Components of Tourism

The supply side of tourism depends upon the quantity and quality of goods and services a host country can provide. Goods and services provided by hotels, travel and trekking agencies, airlines, cargo agencies, restaurants, handicrafts, carpets, and garment industries all determine the supply side of tourism.

Accommodation

From 1965 to 1970, about eight hotels came into operation, giving impetus to tourism development in the country. Since then there has been a steady growth in the number of hotels to the present 159 hotels of different categories. Of these, about 35 have star categories; the rest are non-star hotels. About 80 per cent of the star hotels, including all the four-and five-star hotels, are concentrated in the Kathmandu Valley, the rest mainly in Pokhara and Chitwan. The total number of all types of hotels in Kathmandu - eight in 1971 - increased to 116 in 1992 (Table 2.10).

The number of hotels, rooms, and beds increased by over 11 per cent between 1971 and 1992. The growth rate in accommodation outside the Kathmandu Valley has been higher than in Kathmandu (Table 2.10). The number of star hotels in Kathmandu increased from eight in 1971 to 52 in 1992, the number of beds from 644 beds in 1971 to 8,009 beds in 1992. If all hotels are counted, the number of hotel beds in Kathmandu increased from 644 in 1971 to 8,703 in 1992. For Nepal as a whole, the capacity increased from 728 beds in 1971 to 11,772 beds in 1992 (Table 2.10). The annual average bed occupancy rate of all categories of hotels was 53 per cent in 1987, compared to 48 per cent in 1984. The highest occupancy rate has been in the five-star hotels (67%), the lowest in non-star hotels (48%) (Table 2.11). Also, occupancy rates have generally been highest in October and November and lowest in July, indicating the seasonal character of international tourism and the slow growth of domestic tourism (Table 2.12).[2]

The number of airlines and travel and trekking agencies has been steadily increasing with the growth of the hotel industry. The number of international flights has also increased. There were 57 travel agencies in 1987; from 1981 to 1985, the highest growth in the number of travel agencies occurred.

Employment Generation

Direct employment generated from tourism and tourism-related sectors is presented in Table 2.13. Altogether 11,172 people were directly employed in the tourism sector; 53 per cent of these were employed in hotels, the rest in

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2 Note that there are no statistics on domestic tourism, hence it is difficult to speculate on its growth. In the case of domestic tourism, pilgrimage tourism may be sizeable in some important places such as Janakpur (Janaki Mandir), Kathmandu (Pashupati Mandir), Gosaikunda (Langtang National Park), Lumbini (birth place of Lord Buddha), etc.

travel and trekking agencies and airlines. Since most of the tourism agencies lie inside Kathmandu Valley, it can be assumed that most of the employment was also generated in the valley. Table 2.14 presents the number of employees per hotel, room, and bed, and the investment per employee. One tourist bed in Nepal creates less than two jobs, which is fairly low compared to other developing countries (NRB 1990). This is because low-budget tourists constitute about 67 per cent of all tourists and most of these are catered for by non-star hotels.

According to Khadka (1993), the total direct employment in the hotel industry alone in 1987/88 was 10,112, which is almost double the estimate reported in the NRB (1990) study. The NRB figures are an underestimation (Touche Ross 1990).

Earnings and Expenditure

The average earnings for each hotel in 1986/87 totalled Rs 2,717 thousand. Of the total earnings during 1986/87, star hotels accounted for an overwhelming proportion (91.2%); the remainder was distributed among non-star hotels. Also, the earnings indicated that 38.8 per cent was in foreign currency and the rest in local currency during the year 1986/87.

The total expenditure of all categories of hotels was estimated to be Rs 563.2 million during the year 1986/87, compared to Rs 189.2 million in 1982/83, reflecting a marked growth in the level of expenditure. Over two-thirds of the total expenditure of all categories of hotels in 1986/87 was accounted for by amortisation of loans, wages and salaries, taxes, food, utilities, and depreciation. Details on the results (Table 2.15) are provided in the NRB study.

The tourism sector industries (e.g., airlines and hotels) are relatively more capital-intensive than the tourism-related industries (e.g., carpets, handicrafts, garments, etc). For example, the average capital requirement per unit of labour was Rs 213.5 and Rs 112.4 thousand in the airline and hotel industries respectively, whereas the corresponding figures for the carpet and handicraft industries were only Rs 13.2 and Rs 14 thousand. While trekking agencies are more labour-intensive than travel agencies (Table 2.15), travel agencies are found to be more productive than trekking agencies due to their high income-labour ratio. That is, the annual average income generated per unit of labour employed in travel agencies was Rs 288.8 thousand, compared to the income-labour ratio of Rs 73.3 thousand in trekking agencies. The income generated per unit of labour has been found to be the lowest in the handicraft industry,

followed by the carpet industry, and restaurants. The income generated per unit of investment, on the other hand, has been found to be relatively higher in the airline industry than in the travel-related and garment industries (Table 2.15).

Linkages of the Tourism Sector with Other Sectors

Linkages of the tourism sector with other sectors of the economy can be viewed in terms of the multiplier effects of tourist expenditure. A dollar spent by a tourist transmits impulses to different sectors in the economy, depending on the degree of forward and backward linkages of tourism with other sectors of the economy. The higher the dependency of the tourism sector on imports, the lesser will be the linkage with the domestic economy. Put differently, a lower (higher) multiplier indicates a weak (strong) relationship among sectors, implying a heavy (weak) dependence on imported goods and services. The two recent studies (NRB 1990; Khadka 1993) shed some light on the linkages between tourism and the domestic economy.[3]

In the NRB study, the tourism sector includes hotels, travel agencies, trekking agencies, airlines, and cargo handling. The tourism-related sector includes handicrafts, garments, carpets, and other industries indirectly related to tourism. The link between tourism and other domestic sectors can be examined in terms of direct, indirect, and induced effect of tourism expenditure on output, import, employment, and income. Such multiplier effects are reported in Table 2.16 and 2.17. Output multipliers measure the extent of linkages between sectors. The output multipliers were found to be the highest for travel agencies and the lowest in the airline industry. Likewise, among tourism-related sectors, multipliers were relatively lower in the carpet industry (1.002), indicating that this industry has a very weak relationship with other domestic industries in terms of inter-industrial linkages. This is expected, as most of the output of the carpet industry is exported abroad and most of the raw material is imported. In general, the results indicate a relatively weak linkage between the tourism sector and other domestic sectors, which is to be expected in a

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3 It should be noted here that Khadka's study differs from the NRB (1990) study in that the former has examined the impact of tourism under the conditions of both the constrained and unconstrained supplying capacities of the domestic economy, using an economy-wide input-output model. The NRB study, on the other hand, is based on a sectoral input-output model, and it is not clear whether this study examines the input-output model under conditions of capacity constraint on the domestic economy. Banskota and Sharma (1993a) provide a more detailed synthesis of these two studies.

less developed economy such as Nepal's, a primary reason for which is the high import content of the tourism sector.

The tourism sector import multiplier is relatively higher than that of other tourist-related sectors. The ratio of the import content of the tourism sector (import content of both goods and services are treated as a leakage of the sector) in Nepal is about 62.2 per cent, compared to 55.3 per cent in tourism-related sectors when all effects were taken into account (Table 2.17). The NRB study further revealed that over 75 per cent of the total import content of the tourism sector was accounted for by merchandise imports when all effects were combined.

The presence of a large import content, particularly in the tourism sector, implies that a major chunk of the foreign exchange earned by the tourism sector actually leaks out for importing goods and services consumed by the tourism sector itself. The large amount of import leakage also suggests that the domestic production of goods and services consumed by the tourism sector has no close substitutes produced in the domestic economy, i.e., a severe lack of import-substituting industries.

Import leakages estimated under the limited supplying capacity of the domestic economy were found to be much higher than in an unconstrained situation (Khadka 1993). Under the supply constraint, imports, as a percentage of total tourist receipts, were found to be 26.0 per cent and increased to 36.4 per cent when induced effects were considered (Table 2.17).

The employment multiplier in the tourism sector was found to be relatively lower than in the tourism-related sector (Table 2.17). For example, when only direct and indirect effects are taken together, for every hundred thousand rupees of tourist expenditure, 3.92 man-years of employment are generated in the tourism-related sectors, compared to 2.78 man-years in the tourism sector. The NRB study further reveals that although a large investment is required to generate employment for one person compared to that in a related industry, the efficiency of the tourism sector is higher than that of other sectors based on output - employment and output - investment ratios.

Khadka's study shows that employment generation under the limited supplying capacity of the domestic economy is lower than that under no constraints. For example, the tourist expenditure under supply constraints was found to be 21.7 per cent lower than that under no supply constraints. The reduction in the size of employment multiplier in the tourism sector, within the limited capacity of

the domestic economy, showed a weak linkage of this sector, with the rest of the economy. Furthermore, the employment effect of tourist expenditure was more sensitive to the capacity of the domestic economy than to the income and output multipliers. The results further indicated that expenditure of tourists staying in low-class hotels generated higher employment effects than those staying in high-class hotels. Similarly, trekkers generated slightly higher employment effects than pleasure tourists (Table 2.18).

Tables 2.16 and 2.19 show the Nepal Rastra Bank (1990) and Khadka (1993) estimates of the income multiplier resulting from a rupee of tourist expenditure in different tourism and tourist-related sectors. Khadka found a relatively lower income multiplier in the tourism sector than in other export sectors (Table 2.19). The only exception was in the garment industry in which the direct plus indirect income multiplier was relatively lower than that in the tourism sector. In fact, with the exception of the garment industry, the Nepalese export sector is generally agro-based; the value-added is relatively high; and the sector is less import-intensive. This explains the relatively higher value of the income multiplier (Khadka 1993). The value of the income multiplier in the tourism sector, however, increases further with the inclusion of induced effect, indicating the heavy dependence of the Nepalese economy on agriculture.

As seen from Table 2.20, the output, income, and employment multipliers of tourist expenditure estimated under the assumption of the limited capacity of the domestic sector were found to be less by 11.6 per cent, 13.7 per cent, and 21.7 per cent, respectively, than those estimated under an unconstrained situation. On the whole, the real impact of tourism was found to be only 86 per cent of the nominal impact (i.e., impact estimated in an unconstrained situation). This implies that the multiplier effect estimated under the unconstrained supplying capacity of the domestic sector is based on an overestimation of the economic impact of tourism. Clearly, the results indicate that a greater proportion of the surplus generated by the tourism sector has actually flown out due to the capacity constraints in the domestic economy. Therefore, putting emphasis only on the tourism sector is not sufficient to control import leakages; it is also necessary to develop other sectors in the economy, especially sectors with relatively low surplus capacity that have fairly strong linkages with tourism and other domestic sectors.

Issues

The tourism industry is a very broad-based industry that has direct and indirect linkages with many other sectors of the economy. The industry is among

Nepal's leading foreign exchange earners, contributing over 20 per cent of total foreign exchange earnings. Thus, it is necessary to know how this industry is faring and what direction it should take to have the desired effects of generating income and employment. To achieve this, the need for a sound policy is vital. Without a broad and reliable information base, however, it will not be possible to steer the industry and untangle its intricate relationship with other sectors. Quality information will provide the basis for quality research through which essential planning for this sector can be conducted. Two issues emerge as critical in the future development of this industry, namely, a long-term vision of what is desirable from this industry, and, second, how this vision can be fulfilled.

Vision

It is essential to have a clear vision on what is desired from tourism. Simply stating that growth in this industry is desired is meaningless if there are no clear strategies to achieve it. For example, the primary objective of tourism development in Nepal appears to be increasing foreign exchange earnings (Touche Ross 1990). In terms of a long-run strategy, this objective is at best vague, and especially so if mountain tourism is considered[4]. Growth can be achieved in different ways. First, a policy to attract more tourists can be designed. Second, policies can be designed to increase tourists nights in the host country. Third, if tourist spending can be increased, growth is possible. Finally, if import leakages can be minimised by developing import substitution industries, growth is possible. If all the above four strategies are pursued, growth is assured.

On the demand side, tourists' demand to visit Nepal is primarily dictated by their incomes, relative costs associated with international air travel, and local costs that are incurred in the host country. On the demand side, a small country like Nepal can do very little to influence tourist arrivals, since Nepal's ability to influence tourists' income and international air travel costs are virtually nil. As a result, when tourist incomes (as during a recession) fall or international travel costs increase, the flow of tourists visiting Nepal will also fall. However, supply management, through policy formulation, can be conducted to achieve desirable results to promote tourism growth in the domestic economy as well as other domestic sectors. For a small country like Nepal, therefore, tourism development must be defined in terms of national

4 See Chapter 5 for more details on policies related to this sector.

goals and an appropriate growth path must be prioritised[5]. As will be highlighted in Chapter 5, there is a major lacuna in Nepal's tourism development goal.

Lack of Information

Currently, the information base to address the various issues related to the tourism industry is incomplete and inadequate. Without a broad and reliable information base, it will be impossible to understand what is really happening in the industry.

Currently, two agencies produce information related to this sector. It is mandatory for all tourists visiting Nepal to fill out an immigration (embarkation and disembarkation) card at the point of exit and entry. The information derived from this card is basic nationality, age, sex, last port of call, and purpose and length of visit. Tourists who go trekking need to receive a trekking permit, but the application for it does not provide any additional information beyond that already obtained. No additional information is collected from tourists visiting Nepal. The immigration office passes this information on to the Ministry of Tourism, which then publishes it. The second source of information related to tourist expenditure is generated by the NRB and the Ministry of Finance (MOF) as part of the monetary situation and the overall economic performance of the economy.

The lack of periodic surveys on tourism that are consistent in definition and coverage makes it difficult to determine the demand for and supply of tourism in the country, which is vital to promote marketing and prioritise investments as well as to formulate policies for tourism promotion.

Tourists demand goods and services of different kinds and are willing to spend resources to consume them. On the demand side, the proper knowledge of the level of tourist expenditure patterns is important to understand the tastes and preferences of tourists with regard to the available domestic products. Information on the types of goods and services they demand needs to be collected in detail. Such information will be useful for the pricing policy of

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5 This growth must complement environmental conservation for tourism development to be sustainable. Tourism development cannot be viewed in isolation from conservation and natural resource management, a topic which will concern us through most of this study. Most of the remote areas of the mountains in Nepal have the potential for tourism development, which also implies income and employment generation in these areas.

domestic products. Products that exhibit an inelastic demand tell policy-makers that such products can be subjected to a flexible pricing system. Likewise, products with an elastic demand should be governed by a relatively rigid pricing mechanism. This sort of information is also useful in promoting domestic industries.

On the supply side, it is extremely important to have a proper understanding of the quantity and quality of goods and services provided by the host country. The lack of periodic data (preferably on an annual basis) on the different entities that provide goods and services to tourists (hotels, airlines, travel agencies, trekking agencies, handicraft shops, carpets, and garment industries, etc) makes it difficult to assess the supply components of this industry. No system has been developed so far to conduct a regular periodic survey of the different industries that are involved in tourism. Thus, the type of investment polices required, the times when capacity is a constraint, how the various goods and services being generated respond to policies, etc, all become anybody's guess. Any policy action taken is, thus, based on an *ad hoc* decision, which is often likely to miss its target.

A major goal of tourism development in Nepal has been to increase foreign exchange earnings. However, there is considerable leakage due to an active black market. An estimated 37 per cent of the total tourist expenditure in Nepal is exchanged in the black market (Development Research and Training Centre 1993). Therefore, the official estimates of tourism earnings are underestimated. Unless periodic studies of this nature are conducted, it will be difficult to evaluate the effectiveness of policies or programmes aimed at reducing this leakage.

In sum, the information on the tourism industry is so limited and inadequate that it is surprising policies have even been formulated. This should be a matter of prime concern, given that tourism has possibly the greatest potential for expansion in Nepal.

Table 2.1:Annual Flow of Tourists to Nepal

Year	Number	Year	Number
1964	9526	1965	9388
1966	12567	1967	18093
1968	24209	1969	34901
1970	45970	1971	49914
1972	52930	1973	68047
1974	89893	1975	92440
1976	105108	1977	129329
1978	156123	1979	162897
1980	162897	1981	161669
1982	175448	1983	179405
1984	176634	1985	180989
1986	223331	1987	248080
1988	265943	1989	239945
1990	254885	1991	292995
1992	334353		

Source: Nepal Tourism Statistics, Ministry of Tourism and Civil Aviation, Department of Tourism, HMG

Table 2.2: Percentage Distribution of Tourist by Major Regions for Selected Years

Year	N. America	W. Europe	Asia	Australia	Others	India
1978	15.1	42.8	33.6	5.9	2.6	19.5
1979	13.4	42.0	36.5	5.8	2.3	23.1
1980	10.9	43.2	38.0	5.0	2.9	25.0
1981	10.6	39.2	42.8	4.6	2.8	30.3
1982	11.4	39.2	42.1	4.8	2.6	30.9
1983	12.6	37.1	41.6	5.7	3.0	27.9
1984	12.5	33.8	47.2	3.2	3.3	33.2
1985	12.6	34.7	43.4	5.9	3.4	29.7
1986	12.5	38.3	38.0	6.0	5.2	24.7
1987	12.7	37.1	39.7	5.6	4.9	23.8
1988	11.4	37.5	42.9	5.1	3.1	27.1
1989	12.1	43.6	36.0	5.8	2.4	18.0
1990	10.3	43.5	38.6	5.1	2.5	23.4
1991	8.2	37.7	47.8	3.6	2.7	31.6
1992	8.2	39.6	46.8	3.3	2.2	31.9
Growth rates (1978-1992) based on semi log trend.						
	3.4	5.3	8.3	3.3	7.1	6.0

Note: Percentages may not add to 100 due to rounding errors.

Source: Same as Table 2.1

Table 2.3: Proportion of Tourists by Purpose of Visit

Year	Pleasure	Trekking & Mountain	Business	Official	Other
1970	91.1	1.2	2.0	3.3	2.4
1975	75.9	13.6	5.3	4.6	0.6
1976	78.6	11.1	4.7	4.0	1.6
1977	82.3	10.4	3.5	3.2	0.6
1978	79.4	11.1	4.3	3.6	1.3
1979	79.4	11.3	3.9	3.4	2.0
1980	80.2	11.8	3.4	2.9	1.7
1981	79.0	13.4	3.9	3.5	0.2
1982	77.9	13.4	4.2	4.1	0.4
1983	73.8	13.5	5.5	4.7	2.5
1984	79.6	8.5	4.6	5.3	2.0
1985	70.8	15.9	5.8	5.1	2.4
1986	73.4	15.0	4.9	4.0	2.7
1987	74.6	14.6	4.7	3.6	2.5
1988	75.5	13.9	4.5	3.7	2.4
1989	75.4	16.7	1.1	5.1	1.7
1990	63.5	15.7	4.6	10.4	5.8
1991	60.5	14.4	5.0	12.7	7.1
1992	71.1	10.5	9.5	6.3	2.6

Source: Same as Table 2.1

Table 2.4: Visitor-days by Length of Stay

in '000' visitor days

Length of Stay	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
1-7 days	396	420	388	319	333	363	456	577	644	715
8-15 days	233	241	218	208	225	227	218	287	336	468
16-30 days	426	459	457	436	539	460	453	544	659	765
31 + days	823	859	758	727	1265	679	703	774	895	1106
Total	1878	1979	1821	1691	2361	1729	1826	2182	2535	3055

Source: Table 5.6; Statistical Yearbook of Nepal, various issues

Table 2.5: Gross Foreign Exchange Earnings and Per Capita Tourist Expenditure

Year	Earnings		Average		Fireign Arrival	Index of per	
	NRs '000'	US$ '000'	Per Capita NRs	Per Capita $		Capita Nrs	Expenxe $
1979	419270	35227	3360.80	282.37	124753	100.00	100.00
1980	614480	51632	5028.27	422.50	122205	149.62	149.63
1981	550496	44935	4884.87	398.73	112694	145.35	141.21
1982	439647	33441	3626.04	275.81	121247	107.89	97.68
1983	536364	35667	4148.12	275.84	129303	123.43	97.69
1984	679189	41273	5759.89	350.02	117917	171.38	123.96
1985	719365	39185	5659.43	308.28	127109	168.40	109.18
1986	1077802	50841	6410.30	302.38	168136	190.74	107.09
1987	1304656	60229	6898.71	318.48	189116	205.27	112.79
1988	1486837	63502	7668.65	327.52	193885	228.18	115.99
1989	1838520	68343	9348.68	347.52	196661	278.17	123.07
1990	1868873	63701	9578.02	326.47	195121	284.99	115.62
1991	2260808	58589	11276.47	292.23	200489	335.53	103.49
1992	2838100	61090	12459.88	268.20	227779	370.74	94.98

Source: Same as Table 2.1

Table 2.6: Contribution of Tourism Earnings

Year	Total Earnings as a percentage of		
	Merchandise Export	Foreign Exchange Earning	GDP
1975	19.2	30.2	1.0
1977	24.2	26.3	1.7
1978	34.1	24.8	1.8
1979	38.1	26.9	2.3
1980	54.6	26.9	2.7
1981	47.9	29.2	2.8
1982	56.2	36.8	2.7
1983	74.3	37.3	2.5
1984	32.8	19.7	1.4
1985	26.6	19.8	1.7
1986	34.7	18.5	2.1
1987	58.0	26.6	3.0
1988	40.6	18.2	2.5
1989	65.0	24.5	3.5
1990	59.5	23.3	3.4
1991	47.1	21.8	3.6
1992	35.9	20.0	3.8

Source: Economic Survey, Ministry of Finance, HMG, 1993

Table 2.7: Merchandise Trade Deficit, Foreign Exchange Gap and Travel Earnings *

Year	Trade Deficit and Travel Receipt		Exchange Gap and Travel Receipt	
	Merchandise Trade Defidit (Rs million)	Travel Receipt as % of Trade Deficit	Total Foreign Exchange of Total Deficit Gap	Total receipt as % Total Exchange Deficit
1975	925.0	18.4	566.9	36.5
1976	812.9	25.6	409.1	51.3
1977	856.4	33.6	284.3	101.3
1978	1450.6	25.0	941.5	38.6
1979	1608.8	30.9	968.9	51.3
1980	2416.6	26.5	1740.1	36.6
1981	2830.2	27.3	1930.1	40.1
1982	3452.0	24.4	2390.8	35.2
1983	5197.0	16.2	3830.6	22.0
1984	4823.6	11.6	3285.6	17.2
1985	5022.2	14.6	3916.9	18.8
1986	6286.3	17.0	4897.1	21.9
1987	7924.1	22.0	5948.3	29.3
1988	9765.5	17.2	9577.2	22.1

Source: NRB 1990

Table 2.8: Composition of Tourist Expenditure

	1975	1981	1988
Accommodation	33.0	29.0	26.6
Food & Beverage	23.0	22.3	26.4
Sight Seeing, Transport etc	19.0	19.8	16.1
Handicraft, Curios	19.0	23.7	14.7
Miscellaneous	6.0	5.3	16.2
Total	100	100	100
Rs Per Tourist/day	169	390.3	747
Length of stay (nights)	6.9	14.5	9.3
Rs Per Visit	1166	5657	6975
Rs Per Capita (1974-75 price)	1166	3510	2352

Source: NRB 1990

Table 2.9: Average Tourist Expenditure and Average Length of Stay by Purpose of Visit and Accommodation: 1986-87

	Per Tourist/Day Expenditure (Rs)	Average Length of Stay (nights)
Purpose of Visit		
Pleasure	1034	5.9
Trekking	536	25.8
Business	1148	6.0
Official	888	7.7
Diplomatic	939	5.6
Pilgrimage	235	2.0
Education	268	18.7
Others	512	3.9
Type of Accommodation		
Five Star Hotel	1997	6.1
Four Star Hotel	1472	7.9
Three Star Hotel	1070	7.8
Two Star Hotel	579	13.9
One Star Hotel	573	13.9
Non Star Hotel	429	10.1
Lodge/Guest House	411	14.1
Paying Guest	324	4.3

Source: NRB 1990

Table 2.10: Hotels, Rooms, and Beds Available by Type of Hotel

Hotel Type	Hotel 1971No			Hotel 1992 No.		
	No.	Rooms	Beds	No.	Rooms	Beds
Kathmandu	8	339	644	116	4412	8703
5-Star	1	110	206	4	722	1414
4-Star	-	-	-	5	468	965
3-Star	1	60	120	3	206	387
2-Star	3	110	205	19	729	1421
1-Star	3	59	113	21	563	1105
Tourist Standard	-	-	-	9	184	390
Others	0	0	0	55	1540	304
Outside Kathmandu	3	32	84	87	1580	3069
3-Star	-	-	-	1	69	136
2-Star	-	-	2	2	80	164
1-Star	-	-	-	9	280	376
Tourist Standard	-	-	-	4	52	104
Others	3	32	84	71	1099	2289
All Total	11	371	728	203	5992	11772

Source: Department of Tourism 1992

Table 2.11: Bed Occupancy Rate by Category of Hotel

Hotel Category	1985	1986	1987
5-Star	52.29	58.90	66.73
4-Star	44.18	47.96	55.82
3-Star	53.76	53.76	62.07
2-Star	46.31	50.73	50.13
1-Star	47.66	44.67	48.38
Tourist Standard	37.89	40.66	37.16
Others*	48.31	48.61	50.15

* Includes non-star hotels, lodges, and guest houses

Source: NRB 1990

Table 2.12: Bed Occupancy Rate by Month

Month	1985	1986	1987
January	42.74	43.13	47.52
February	45.94	47.56	50.83
March	53.95	58.36	61.13
April	53.05	55.71	59.01
May	47.82	46.48	49.09
June	37.12	38.30	39.18
July	27.66	31.07	33.18
August	33.93	38.05	37.61
September	42.52	41.85	46.74
October	70.19	70.58	73.25
November	65.46	72.57	71.96
December	53.68	56.13	58.40
Average	47.96	49.88	52.47

Source: NRB 1990

Table 2.13: Direct Employment Generation from Tourism and Tourism-related Sectors 1986-87

Sector	Total employment	Level of employment			Average
		% top	% mid	% basic	
Hotels	5912	8.5	30.0	61.5	25
Restaurants	693	12.0	38.0	50.0	13
Travel Agencies	1544	17.6	43.0	39.4	30
Trekking	978	12.5	26.0	61.0	20
Airlines	2738	4.4	22.0	74.0	na
Carpets	2551	1.5	5.0	94.0	na

Source: NRB 1990

Table 2.14: Number of Employee per Hotel, Room, and Bed and Investment by Type of Hotel (1986-87)

Hotel Category	Number of employees per			Investment per (Rs '000')
	hotel	room	bed	
5-Star	472.0	2.7	1.4	156.3
4-Star	202.0	2.5	1.3	157.6
3-Star	118.3	1.9	0.9	108.2
2-Star	43.6	1.2	0.6	102.3
1-Star	19.4	0.9	0.5	47.6
Tourist Standard	18.5	1.0	1.9	70.2
Others	7.2	0.6	0.9	45.5

Source: NRB 1990

Table 2.15: Average Earnings, Expenditure, and Factor (Rs '000') Intensities in Tourism-related Sectors (1986-87)

Sector	Earnings	Expenditure/labour	Capital/labour	Income
Hotels	2717	2407	112.4	107.6
Restaurants	772	665	26.2	56.0
Travel Agencies	8742	6476	65.2	288.8
Trekking	1846	1192	28.2	73.3
Airlines	5600	-	213.5	523.0
Carpets	4800	4500	13.2	51.1
Garments	156	125	34.2	71.3
Handicrafts	292	-	14.0	48.0

Source: NRB 1990

Table 2.16: Multiplier Effects of Tourist Expenditure in Different Sectors (1986-87)

Sector	Output	Income		Employment		Import	
		DI	DII	DI	DII	DI	DII
Hotels	1.09	0.33	0.47	2.67	3.36	0.38	0.53
Travel	1.43	0.63	0.91	2.77	4.08	0.45	0.74
Trekking	1.18	0.77	1.11	4.96	6.57	0.18	0.54
Airlines	1.07	0.13	0.19	0.71	0.99	0.61	0.67
Handicrafts	1.35	0.55	0.79	6.48	7.63	0.31	0.56
Carpets	1.00	0.27	0.39	5.85	6.42	0.68	0.81
Garments	1.47	0.57	0.83	4.40	5.60	0.30	0.56
Textiles	1.05	0.46	0.67	3.32	4.29	0.27	0.49
Food	1.09	0.34	0.49	1.85	2.57	0.25	0.41
Beverages	1.06	0.23	0.34	1.57	2.18	0.28	0.41
Printing	1.03	0.65	0.94	5.36	6.72	0.16	0.46

Note: DI = direct and indirect effects; DII = direct ,indirect, and induced effects

Source: NRB 1990

Table 2.17: Direct, Indirect, and Induced Effects of Per Rupees of Tourist Expenditure on Imports, Employment, and Income

Multiplier	Tourism Sector	Tourism Related Sector
Import:		
D	0.297	0.276
DI	0.406	0.355
DII	0.622	0.553
Employment *(Manyear per 10.0000 Rupees)*:		
D	2.010	3.745
DI	2.780	3.923
DII	3.754	4.818
Income/Value added:		
D	0.376	0.377
DI	0.467	0.425
DII	0.675	0.614

Note: D = direct, DI = direct plus indirect, DII = direct indirect, and induced.

Source: NRB 1990

Table 2.18: Manyears of Employment Generated Per Rs 100,000 Tourist Expenditure by Type of Hotel and Type of Tourist

Type of Hotel	Man Year	Nationality	Man Year
Five-star hotel	2,514	North American	2,650
Four-star	2,443	European	2,597
Three-star	2,418	Australian	2,463
Two star	2,607	Asian	2,500
One star	2,570	Indian	2,477
Non star	2,636	Average	2,562
Lodge	2,714		
Type of Tourist			
Pleasure Tourist	2,530		
Trekker	2,588		

Source: Khadka 1993

Table 2.19: Output, Income, and Employment Multipliers under Unconstrained Situations

Sector	Output DPI	Income		Employment	
		DPI	DPIPI	DPIPI	DPI
Tourism	1.342	3.037	0.740	1.865	2.562
Cash Crop	1.340	5.144	0.983	3.509	5.245
Livestock	1.222	5.157	0.987	3.602	6.783
Carpet	1.354	3.613	0.983	2.283	3.960
Garment	1.098	2.747	0.724	1.820	1.313
Jute	1.432	3.668	0.928	2.443	4.313
Leather	1.925	5.307	0.971	3.217	5.301

Source: Khadka 1993

Table 2.20: Direct Plus Indirect Impact of Total Tourist Expenditure under Unconstrained and Constrained Supplying Capacities

	Unconstrained	Constrained	% Change
Total tourist expenditure	1961.1	1961.1	
Import	509.7	707.9	+38.9
Compensation of employees	444.4	364.2	-18.0
Indirect tax	215.5	207.0	-3.9
Operating surplus	673.2	570.4	-15.3
Value added (net earnings)	1451.4	1253.1	-13.7
Value added as % of GDP	2.6	2.3	
Net earnings as % of export	48.5	41.9	-13.7
Import as % of tourist receipt	26.0	36.1	+38.9

Source : Khadka 1993