

Master Thesis

FACTORS DETERMINING THE
ARRIVAL OF INTERNATIONAL
TOURISTS IN NEPAL

2022

The Graduate School of Hansung University

Major in International Market Analysis

Dept. of International Trade and Economics

Niroula Mukesh

Master Thesis

Advisor Professor Yoonkyo Cho

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- 네팔에 외국인 관광객의 도착을 결정하는 요소 -

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ABSTRACT

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The purpose of this study, "Factors Determining the Arrival of International Tourists in Nepal", was to complete a portion of the requirements for the "Master in International Trade and Economics" degree. This dissertation aims to find the factors that can help with the increase in inbound tourists in Nepal. This paper also analyzes the trend of tourist arrival in Nepal, the composition of tourist arrival in Nepal, and the contribution of tourism to national earnings. The regression model has been used to study the factors that determine the arrival of international tourists in Nepal. Time-series data has been used in this study of 9 years of data. This paper uses tourist arrival (TA) as a dependent variable and the Consumer Price Index of Nepal (CPIN), Foreign Direct Investment of Nepal (FDI), Number of Terrorism-related incidents in Nepal (NTRIN), Government investment in the Tourism industry by the Nepal Government (TB), and the Total number of

Natural Disasters that occurring in Nepal (ND), is the independent variable. FDI and TB are significantly positive, which helps to increase tourist arrivals. While other variables are significantly negative.

Keywords: [Nepal, CPI, FDI, Tourist Arrival, Factors Determining the Arrival of International Tourists in Nepal, International Tourists, inbound tourism]

TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION.....	1
1.1 BACKGROUND.....	1
1.2 HISTORICAL DEVELOPMENT OF TOURISM.....	3
1.3 OBSERVED LITERATURE GAP.....	9
1.4 RESEARCH QUESTIONS.....	10
1.5 OBJECTIVES OF RESEARCH.....	12
1.6 HYPOTHESES.....	12
1.7 SIGNIFICANCE OF THE STUDY.....	13
1.8 LIMITATION OF THE STUDY.....	14
1.9 ORGANIZATION OF DISSERTATION.....	14
 CHAPTER 2: THE LITERATURE REVIEW.....	15
2.1 THE LITERATURE REVIEW: MEANING AND IMPORTANCE.....	15
2.2 REVIEW OF RELATED MATERIALS AND PREVIOUS LITERATURE.....	16
2.2.1 AN OVERVIEW OF CONCEPTS AND THEORY.....	16
2.2.2 THEORETICAL OVERVIEW.....	21
2.2.3 REVIEW OF RELATED STUDIES.....	22
 CHAPTER 3: RESEARCH METHODOLOGY.....	28
3.1 RESEARCH DESIGN.....	28
3.2 DATA.....	28
3.3 SAMPLE TECHNIQUE.....	29
3.4 DATA NATURE AND COLLECTION METHOD.....	29

3.5 TOOLS AND ANALYSIS.....	30
3.6 RESEARCH VARIABLES.....	32
3.6.1 TOURIST ARRIVAL IN NEPAL.....	32
3.6.2 TERRORISM RELATED INCIDENTS AND TOURIST ARRIVAL.....	38
3.6.3 NATURAL DISASTER AND TOURIST ARRIVAL.....	41
3.6.4 FOREIGN DIRECT INVESTMENT AND TOURIST ARRIVAL.....	43
3.6.5 GOVERNMENT INVESTMENT IN TOURISM INDUSTRY AND TOURIST ARRIVAL.....	45
3.6.6 CONSUMER PRICE INDEX AND TOURIST ARRIVAL.....	48
3.7 ESTIMATED MODEL.....	50
3.8 MEASUREMENTS.....	50
 CHAPTER 4: EMPIRICAL RESULT AND RESULT ANALYSIS.....	52
4.1 TREND OF TOURIST ARRIVAL IN NEPAL.....	52
4.2 COMPOSITION OF TOURIST ARRIVAL IN NEPAL.....	57
4.2.1 MODE OF TOURIST ARRIVAL IN NEPAL AND THEIR LENGTH OF STAY.....	57
4.2.2 TOURIST ARRIVAL BY GENDER.....	60
4.2.3 TOURIST ARRIVAL IN NEPAL BY MAJOR NATIONALITIES.....	61
4.2.4 CONTRIBUTION OF TOURISM ON NATIONAL ECONOMY.....	63
4.3 SUMMARY OF DESCRIPTIVE STATISTIC.....	65
4.4 REGRESSION ANALYSIS.....	67

4.5 RESULT AND DISCUSSION.....	70
CHAPTER 5: FINDINGS, IMPLICATIONS CONCLUSION AND	
LIMITATIONS.....	73
5.1 FINDINGS.....	73
5.2 IMPLICATIONS.....	75
5.3 CONCLUSION.....	77
5.4 LIMITATIONS.....	79
REFERENCES.....	80
ABSTRACT IN KOREAN.....	85

LIST OF TABLES AND FIGURES

Table 4.1 Number of tourist arrival in Nepal 1990–2019.....	53
Table 4.2 Mode of Tourist Arrival in Nepal and their Length of Stay.....	57
Table 4.3 Tourist Arrival by Sex, 1993– 2019.....	60
Table 4.4 Tourist Arrival in Nepal by Major Nationality 2007–2019.....	61
Table 4.5 Foreign Exchange Earnings from Tourism, 2000/01–2016/17.....	64
Table 4.6 Descriptive Statistics of the Study.....	65
Table 4.7 Regression Analysis of the Study.....	67
 Figure 4.1 Trend of Tourist arrival in Nepal.....	 56
Figure 4.2 Tourist Arrival by Different Mode.....	59

CHAPTER 1 : INTRODUCTION

1.1 BACKGROUND

Tourism is the temporary, short-term movement of people to destinations outside the places where they normally live and work, and their activities during their stay at these destinations. Many of these movements are international in nature, and many are recreational in nature. In recent years, it has become an important factor in world trade and a major element in the balance of payment of many countries, which has grown faster than the trade in goods. For countries, regions, towns, and villages that attract tourists in large numbers, tourism can be a significant element in their prosperity. Tourism generates wealth and employment. It is a major source of income and employment for individuals in many places deficient in natural resources other than climate and scenery. It makes use of resources that may not be used otherwise, in particular, unemployed labor in developing countries and regions with few or no alternative sources of employment. Beaches, moors, and snowfields are examples of natural resources which cannot readily contribute to the economic well-being of the area except through the medium of tourism. It is also a major source of income for many transport operators, providers of accommodation and entertainment, shops, and other businesses. For residents of an area, tourism often provides amenities that the resident population would not be able to support otherwise. But if it's not handled well, bringing a large number of foreigners into a society can also cause social and political tensions, which can hurt the economy

(Burkart & Medlik, 1974).

The tourism industry is the best instrument to drive the economy of Nepal smoothly. With low investment, tourism is the only sector from which a country can gain a high return. Tourism is the movement or travel of people from one place to another, whether it is within their own country or to another country, for pleasure, business, pilgrimage, or other purposes. It is an important industry, and it is gaining recognition around the world. It plays an important role in the economic and technological development of the nation. It is a smokeless industry. The tourism industry has become the largest single earner of foreign exchange in many countries, like Nepal. With a low level of exports and a common unfavorable balance of trade, many low-income countries have thought about the lack of foreign exchange earnings and job opportunities that have helped improve the balance of payment of their country.

Historical background, geographical situation, and sociological wealth are the main tourist potentialities in Nepal. So, the tourist industry has been playing a significant role in the country's economy. Nepal's natural attractions, physical, historical, and cultural, monuments like temples, art treasures, festivals, and wildlife, are the best attractions for foreign visitors. Nepal's Mt. Everest and the land of Yeti attract people from all over the world with their snow-capped peaks, rivers, lakes, warm weather, and mysterious charm. Most of the tourists arriving in Nepal have been found pursuing recreational hiking and mountaineering. In

December 2016, 65 percent of tourists visiting Nepal were there for pleasure. Hiking and mountaineering make up 8.82% of all outdoor activities. Official pilgrims made up 3.23 percent of the total, convention/conference attendees made up 2.83 percent, and others made up 7.4 percent. This sector contributed 4.1 percent to GDP in 1993/94, which decreased to 1.9 percent in 2016. The total number of tourist arrivals was 254885 in 1990, which increased to 753002 in 2016 (MOF, 2017).

In Nepal, there are various types of tourism, such as eco-tourism, mountain tourism, hiking tourism, wild tourism, rural tourism, and agro-tourism, among others. MOCTCA (2016) reports that there are 120-star hotels, 985 non-star hotels, 3444 travel agencies, 2367 trekking agencies, 72 rafting agencies, 72 tourism transportation services, and 3717 tourist guides, 13049 trekking guides, and 207 river guides.

1.2 HISTORICAL DEVELOPMENT OF TOURISM

Tourism refers to the movement or journey of human beings from one place to another, whether it is within one's own country or another country. It can be for pleasure, business, pilgrimage, or other purposes. In the evolution of tourism back to ancient times in Sanskrit literature, there are three terms for tourism. In the Sanskrit language, the word 'Anta' is derived from the root, which means going or leaving home for some other place, and the three terms are:

- a. It means going out for pleasure and gaining knowledge.

- b. It means going out of the country prominently for economic gain and other purposes.
- c. It means going out to places of special religious merit.

According to Ranjit (1976), these three Sanskrit words mean "going out of the house for pleasure and learning, going out of the country for economic gain, and going out to places for religious reasons." People's travel in the remote past was mandatory because the very survival and existence of primitive men depended on it. But when civilization came along, people's ideas changed, and travel went from being something people had to do to something they did for fun. Later, the introduction and development of modern means of transportation and communication have contributed to tourism growth by facilitating and augmenting travel activities (Shrestha, 1978). Today, the tourism industry is rapidly growing worldwide, and its role is significant in the socio-economic sector of all countries. Tourism is a big way for the country to make money in other countries currencies, create jobs, and help the economy grow.

The fast increase in tourism in the world started only after the Second World War. The other things that have led to the rapid growth of international tourism (Shrestha, 1978) are the realization that almost all countries need to develop, the loosening of restrictions on foreign exchange and travel, liberal government policies, and the desire for international brotherhood, etc. And the other things that have led to the rapid growth of international tourism are people's having more free time; the rapid growth of

the world's population; the invention of jet travel; the development of low-cost modes of transportation and communication; low-cost hotels and restaurants; the rising retirement age and life expectancy; people's desire to learn about and see the different lifestyles, traditions, and cultures of people from different places; and the rising standard of living. In developed countries, tourism agencies offer incentive travel programs to encourage people to travel. The tours and travel also furnish credit plans for people for traveling on a down payment basis, as a "fly now, pay later" arrangement (Encyclopedia Americana, 1976: 877). All these developments have led to the expansion of the international tourism movement during the last few decades.

Under the autocratic Rana Regime, Nepal was closed to foreigners until 1951. The emergence of tourism in Nepal can be traced to the first-ever successful ascent of the mighty by Tenzing Norgay and Sir Edmund Hillary, who climbed Mt. Everest on May 29th, 1953. Initially, the majority of the tourists were Americans who were of retirement age. In 1995, Nepal issued its first tourist visa on a persistent request by Boris Lissanevitch. The legendary Russian hotelier pleaded with King Mahendra to allow Thomas Cook and Son to send tourists to visit Nepal. He had convinced a group of 20 tourists, who were mostly females, to travel from Calcutta into Nepal. In the beginning, the first tourists to come through were 10 Americans and 2 Brazilians. They stayed at the famous Royal Hotel, the first tourist-standard hotel, started by Boris himself. In the same year, a private airline named Himalayan Airways also started

operations, which was again a big boon to Nepal's tourism.

In 1956, the National Planning Council on Tourism set up the first five-year plan for tourism. The plan provided the result that the travel profession was a key way to spread the word about Nepal and bring in money from other countries. Similarly, in 1957, the Nepal Transportation Department was set up, which paved the way for civil aviation. In the same year, the National Tourist Development Board also came into existence. The Royal Nepal Airlines Corporation (RNAC), now known as Nepal Airlines Corporation (NAC), started its operations the following year in 1958. In 1959, Nepal became a member of the International Union of Official Travel Organizations with a plan to develop tourism in Nepal. This plan was created by George Lebrec, a French national. The number of tourists arriving increased by 40% in 1965. The following year, in the late '60s, drew a new breed of tourists—"The Hippies".

In the 1960s, the hippie trail started to take off. Almost 50 percent of the tourists were between 16 and 30 years old, and they followed a radical, liberal anti-war philosophy. Mind-expanding activities such as experimenting with sex, drugs, cultural matters, and religion. The Hippie Trail was a tour taken by these hippies in the 1960s and 1970s from Europe, South Asia, and America to Asia, mainly India and Nepal. Their main objective was to discover their inner-self, and for this reason, they wanted to stay away from their home for as long as possible. They took the cheapest forms of transport, like buses, trains, and hitchhiking. The Hippie trail shows a popular route from Europe via parts of Asia to

India and Nepal. Most of them would start their journey from Istanbul and end it in Goa or Kathmandu.

Hashish transactions were considered legal until the establishment of the Drug Enforcement Administration in 1973. The hippie trail (the new big thing) came to an end in 1979. With the Islamic revolution in Islamic countries and the Russian invasion of Afghanistan, they closed the overland route to western travelers. From 1975–1991, Nepal was a hot spot for holidaymakers, adventure seekers, and cultural tourists. Since that time, the tourist count has increased from 100,000 to 300,000 in a year. In 1998, Nepal celebrated "Visit Nepal 98" to strengthen Nepal's tourism. After the hijacking of an Indian Airlines plane from Tribhuvan International Airport on December 24th, 1999, there was a fall in Nepal's tourism. In 2001, we saw one of the worst events in Nepal—the royal massacre, in which our beloved King, His Highness Birendra Bir Bikram Shah Dev, and his entire family were mysteriously murdered. A 7.8-magnitude earthquake on April 25, 2015, was also very bad for the tourism industry (Rana, 2013).

As an active factor of production in the tourism industry, trained manpower, including guides, cooks, managers, housekeepers, trekking guides, housewives, waiters, etc., could be required to provide quality services and good products to tourists. It is just like policy, institutional setup, hotels, and physical infrastructure. Since the realization of the need for trained and qualified manpower in hotel management, the government and private sector have established training institutions and colleges since 1990. For example, Nepal Tourism and Hotel Management Academy.

The academy produces more than 1,000 skilled workers per annum. It produced 16 thousand trained workers until 2010/11. Its reflection can be seen in the growth rate of trained manpower per annum. Its market is not only our domestic tourism industry but also the international tourism industry. In the case of the domestic tourism industry, it is not encouraging if we analyze the capacity of hotels. There is a question about the integrity between this trained manpower and the tourism industry (Bista, 2008).

At this time, the travel and tourism industries are ranked among the world's biggest industries. However, the degrading effects of tourism have become a big concern and need to be addressed quickly. With this in mind, the concept of sustainable tourism has evolved with the aim of reducing the negative effects of tourism activities, which has become almost universally accepted as a desirable and politically appropriate approach to tourism development. Supportability, resilience, vitality, achievability, stability, reliability, and acceptability cover all the elements that constitute a complete tourism experience. According to the majority of scientists, sustainable tourism development refers to an economic, social, and environmental tourism elaboration that aims at the continuous improvement of tourists' experiences. The tourism industry has the potential to contribute to sustainable development, particularly by creating jobs, including employment for women and marginalized groups. The purpose of sustainable tourism is to strike a balance between protecting the environment, maintaining cultural integrity, establishing social justice and promoting economic benefits; meeting the needs of the host

population in terms of improved living standards both in the short and long-term in both developed and emerging nations while emphasizing both intergenerational equity and intragenerational equity; and in a form that can preserve its viability in an area for an indefinite period of time. Community tourism uses sustainable development to improve local people's quality of life for local people. It does this by making sure that the local economy benefits as much as possible, protecting the natural and built environment, and making sure that visitors have a good time.

1.3 OBSERVED LITERATURE GAP

This recognition seems to be based on the perception that the development of tourism has the potential for the expansion of income and employment opportunities in the economy. Tourism is recognized as an important sector in the development agenda of most countries. It has the potential to bring in more foreign currency through international tourism, which is, of course, important for boosting the economy's ability to import goods to help it grow.

It has become essential to analyze its trend and impact comprehensively and to highlight its significant role in the Nepalese economy. Nepal, being an underdeveloped country, needs a large amount of convertible foreign exchange to cover its different economic development activities, which can be obtained from tourism. So, the sustainable development of the tourism industry is the order of the day. Different developmental

programs regarding the development of the tourism sector were announced in different national plans, but its development seems to be very poor in comparison to other countries. The tourism industry is in its childhood period in our country, though Nepal has a very high potential for its development.

There has been researched work conducted on the importance of tourism in Nepal. Most of the research was based on the importance of tourism in Nepal and its impact on the national economy. Those studies were conducted during a transitional phase, which was an unfavorable condition for tourism development. The goal of this study is to determine the factors that determine international tourist arrivals in Nepal.

1.4 RESEARCH QUESTIONS

Tourism is the backbone-leading sector for the economic development of developing countries like Nepal. It is not well developed, and tourism activities are not sufficient to be pro-poor. Tourism is the result of movement, entry, and stay; it is a composite product and the outcome of attraction, accessibility, accommodation, and amenities. Elements and components of tourism are the prime factors or indicators of the development of tourism. The development and scope of tourism depend on the quality and quantity of products and components. Most potential tourist destinations are deprived of transportation, communication, accommodation, and amenities. There isn't enough advertising and

promotion of tourist spots that have a lot of potentials but haven't been explored. As a result, many potential tourists don't know much about Nepal on an international level.

The development of the tourism sector has faced so many problems that this sector is still in an infant phase of trying to grow bigger and better. Not only were those problems in the past, but some of them still exist today. Because of the economic crisis and natural disasters, the development of this sector has become difficult. But tourism is a labor-intensive industry that is the most important sector of the Nepalese economy, but this sector has been neglected in Nepal. Tourism has also created a considerable source of income and employment opportunities in the country, which has added to the national economy. Also, because our exports aren't very big and our balance of payments isn't good, the tourism industry helps bring in some foreign currency.

The main problem, which is dealt with in the study, is identifying the growth rate of tourist arrivals in Nepal. This study explores the employment generated by this sector and how far foreign currency earnings help in the balance of payments. This study also looked at the trend of tourist arrivals before and after the earthquake, which is a new issue raised by this thesis. To summarize, this study mainly focuses on these questions.

- a. What is the trend of tourist arrivals in Nepal?
- b. What is the structure of tourist arrivals in Nepal?
- c. What is the factor determining the arrivals of tourists in Nepal?

1.5 OBJECTIVES OF RESEARCH

The main objective of the study is to analyze the trend of tourist arrivals in Nepal. Specific objectives are as follows:

- a. To explore the trend of tourist arrival in Nepal.
- b. To analyze the structure of tourist arrival in Nepal.
- c. To compare the number of tourist arrival before and after the devastating earthquake 2015.
- d. To analyze the factor determining on arrival of tourists in Nepal.

1.6 HYPOTHESIS

The study will test the following prior hypothesis to reach a conclusion on the issues raised in the research questions. This research aims at testing the following hypothesis:

H1: there is a negative relationship between the consumer price indexes of Nepal and tourist arrivals.

H2: there is a negative relationship between the number of terrorism-related incidents in Nepal and tourist arrivals.

H3: there is a negative relationship between the total number of Natural Disasters and tourist arrivals.

H4: there is a positive relationship between Foreign Direct Investment and tourist arrival.

H5: there is a positive relationship between Government investment in the tourism industry and tourist arrivals.

1.7 SIGNIFICANCE OF THE STUDY

Nepal has three major resources that build the economy: agriculture, hydropower, and tourism. Among them, tourism is the key industry that can be effortlessly established, promoted, and developed with the slightest investment and can be made a significant foundation of national income. So, it is one of the chief sectors for economic development. Tourism is an activity that gives rise to economic and social benefits. Tourism has a bearing on numerous sectors of the economy. The significance of tourism in Nepal is not limited to the economic aspect only, but also to environmental and cultural aspects. Nepalese people realize the importance of environmental conservation and have pride in the cultural heritage of their country. Although the country is economically poor, it is rich in its natural and cultural heritage. And finally, the economic exploitation of this heritage can only be possible through the development of tourism. The tourism industry is growing very rapidly and has tremendous potential for tourism development because of its unique cultural heritage. This study helps based on the following:

- a. It is useful to promote accommodation facilities and quality services for tourists so as to increase the number of tourists and their duration of the study.
- b. It is beneficial to identify the problem of record tourism in Nepal and implement appropriate policies.
- c. The tourism sector can help solve the problem of unemployment. It is useful for entrepreneurs to further investment in the tourism industry in Nepal.

1.8 LIMITATIONS OF THE STUDY

The major limitations of the study are that the study is based on secondary data only. Due to time and budget constraints, the study may not be comprehensive. This study is especially focused on international tourist arrivals in Nepal.

1.9 ORGANIZATION OF DISSERTATION

The study is expressed in five chapters. The first chapter outlines the study's grounding, statement of the problem, research hypothesis, objectives of the study, significance of the study, and limitations. Chapter two is titled a review of literature on metaphysical and theoretical overviews. Chapter three is concerned with the methodology, which indicates the research design, data collection procedure, and the methodology, which includes statistical tools like the equation of trend line t-test, F-test, D-W statistic, and regression analysis. Chapter four is implicated in the data analysis of tourist arrivals in Nepal. Chapter five is concerned with a summary, conclusions, and suggestions. Finally, the appendix and bibliography are listed.

CHAPTER 2 : LITERATURE REVIEW

2.1 THE LITERATURE REVIEW: MEANING AND IMPORTANCE

Reviewing the literature is a crucial first step in order to conducting research activity in a rigorous and organized way. Before the anticipated study is likely to be conducted, it enables the researchers to have a well-organized library of studies on similar topics and problems. It also establishes the importance of the study and highlights the urgent need for the researcher's proposed investigation. A systematic literature review makes it easier for the researcher to define the research field, construct the study methods, and learn the results of previous studies. Additional research may be used by aligning with them or diverging from them. However, the systematic organization of the investigations, however, will always be a positive factor. This stage will outline what has been explored so far and what requires more research. It ultimately gives the researcher comfort by providing potential and remaining lists of topics to explore in the field. It aids researchers in identifying gaps in current studies and the body of accessible literature, to put it more simply,. Thus, being aware of these gaps raises new problems for possible research. The situation may be appropriately framed by the researchers. The Review provides a clear road map of what has been investigated and what needs to be.

This chapter presents the literature review for the study. Section 2.2 contains an overview of concepts and a theoretical overview, and Section 2.3 contains an overview of related studies, which includes books, research papers, and thesis reviews. The literature review was very important for choosing the variables in the next section, "Methodology." In the field of tourism, national as well as international composers have written several books, booklets, journals, and articles. In the same way, economics students have turned to dissertations about tourism as part of their master's degrees, and several articles are being circulated in local, national, and international newspapers.

2.2 REVIEW OF RELATED MATERIALS AND PREVIOUS LITERATURE

2.2.1 AN OVERVIEW OF CONCEPTS AND THEORY

The approach of tourism is an antique as the past of humankind. Due to the inherent nomadic urge of man in ancient times, people traveled long distances in different parts of the world. In ancient times, there were only three reasons for traveling from one place to another. The interest was a motive that made people meet different tribes and statuses of men not only between neighboring countries but also between the states situated a long distance apart. Merchants were compelled to travel long distances to seek rare and necessary products to increase their trade. The desire to know the customs and habits of people of contrasting lands made them

travel from one place to another, which was a second motive for traveling. The third motive was the religious tendency, which urged people to go on long expeditions to places of religious worship. In the past, it was hard to travel because there wasn't a lot of good transportation and there wasn't much comfort or safety. During the middle ages, merchants, explorers, pilgrims, and students traveled to different places for different reasons. The best students of the time, who were drawn to the new universities in Bulgaria, Paris, Rome, Cairo, Egypt, and Nalanda, India, then traveled to see them (Upadhyay, 2003).

Definitions of Tourists and Tourism

Various scholars have defined the words "tourism," "tour," and "tourist" in different ways. Until now, there has been no universally accepted definition of these words. The first definition of tourism was given by the Australian economist, Hermann von Schullard, in 1910. He defines tourism as "the sum total of operations, mainly of economic nature, which directly relates to the entry, stay, and movement of foreigners inside or outside a certain country, city, or region." (Satyal, 2004). Another definition of tourism was given by Edmond Picard, professor of economics at the University of Brussels, as follows: "The function of tourism is to import currency from foreign resources into the country; its impact on the economy and, in particular, the hotel keepers." (Satyal, 2004). According to Ryan, tourism is "a study of the demand for and supply of accommodation and support services for those staying away from home and the resultant pattern of expenditure, income, and employment." (Kunwar, 2006). The widely accepted definition of a tourist

was proposed by the International Union of Travel Organizations (IUOTO) in 1963 and approved in 1968 by the World Tourism Organization. International tourists are temporary visitors staying at least twenty-four hours in the country they visit, and the purpose of their visit can be classified under one of the following headings: (a) leisure (recreation, holiday, health, study, religion, and sports) or (b) business (family mission meeting). (cited in Leiper, 1979). From the above definition, it's clear that a person is a tourist if he goes outside of his daily living zone abroad for at least 24 hours to satisfy his appreciative nature for recreation, health, study, family mission, meetings, etc.

Types of Tourism

Every person has one question: why do people travel? Is it a matter of concern in tourism studies? People do travel for various reasons and purposes. Tourism can be classified based on the basis of various factors, such as geographical location, the purpose of visit, number of people traveling, etc. Some major types of tourism can be classified as follows:

a. Pleasure Tourism:

People go on vacation for enjoyment out of inquisitiveness, to take a rest, observe something new, or delight in good scenery and unknown folklore. Some tourists find pleasure when traveling to various places. This type of tourism usually depends on the different tastes of different people.

b. Recreational Tourism:

It is concerned mainly with recreational tourism, leisure, and rest, and aims to cover physical and psychological stamina. This type of tourist usually stays longer.

c. Cultural/Pilgrimage Tourism:

This tourism is motivated by the eagerness to learn about the different cultures of various countries. Mostly, tourists of this type visit to learn about the different habits, languages, and customs of the people of alien lands and to visit places rich in monuments in the center of an ancient civilization. It's also about going to places where modern people have done great things, such as art galleries, religious centers, and festivals for art, music, theater, dance, and folklore.

d. Eco-tourism:

Eco-tourism is a contemporary concept in Nepal. This is a mode of small-scale tourism that is based on legitimate and artistic conditions and does not destroy the resources that tourism builds on. It involves traveling to relatively undisturbed and uncontaminated natural areas with the specific objective of studying, admiring, and enjoying the scenery and wild plants and animals as well as any existing cultural areas in which the conservation of ecosystems and protection of bio-diversity are aimed at the desired types of tourists who visit the protected area and the organization and legislation of tourism development supports sustainable development. It is also a type of tourism that is mostly based on the natural features of a place, such as the native culture (Kunwar, 2006).

e. Adventure and Sport Tourism:

The Himalayan peaks and their surrounding miracles of nature have always become an attraction to mountaineers. Nepal has most of the advantageous regions in different parts of the country.

f. Business Tourism:

Many businessmen and traders come to the location to demand goods and services, advertise their products, and exchange them. This type of tourism is concerned with business professionals and industry.

g. Conference Tourism:

Many people participated in the conference from different countries. These conferences are usually organized in large hotels in the low season. An international conference is organized in different countries, where such convention facilities are available. There is a rapid growth of conference tourism in the modern world.

h. Domestic Tourism:

The basic difference between domestic and international tourism is that of travel jurisdiction. Domestic tourists do not need to fulfill various travel formalities that are necessary for international tourism. Residential tourism is the activity of tourists that takes place within their own country without crossing its borders. A domestic tourist is a person who travels beyond their normal domicile to certain other areas within the country. A domestic tourist does not face the barriers of a visa, foreign currency

exchange, language, and culture. Most people think of a domestic tourist as someone who visits their own country for reasons other than working or making money there.

2.2.2 THEORETICAL OVERVIEW

Tourism is one of the world's largest industries and it represents a major area of interest due to its enormous impact on national economies and people's lives. It is a surprisingly strong and resilient sector of economic activity and a fundamental contributor to economic recovery by generating foreign currency and creating millions of jobs. The tourism sector can contribute directly and indirectly to all of the sustainable development goals (SDGs) (UNWTO, 2015). Akuno, Oteieno, Mwangi, and Bichanga (2015) say that tourism has a big impact on GDP because it creates jobs and brings in money for the local people, the private sector, and the public sector, and the government.

Tourism suffered the greatest crisis on record in 2020 following unprecedented health, social and economic emergency amid the outbreak of the COVID-19 pandemic. International tourism arrivals decreased by 74% in 2020 compared to the previous year due to widespread travel restrictions and a massive drop in demand with a loss of USD1.3 trillion in export revenues. Asia and the Pacific saw an 84% decrease in international arrivals in 2020, about 300 million fewer than in the previous year. The Middle East and Africa both recorded a 75% drop in arrivals. Arrivals in Europe fell by 70%, representing over 500 million

fewer international tourists, while arrivals in the Americas fell by 69% (UNWTO, 2021). In Nepal, tourist arrivals decreased by 80.78% in 2020 (MoHA, 2021).

2.2.3 REVIEW OF RELATED STUDIES

Burger and Vietnam (1978) applied input-output analysis. He shows tourism in Nepal to be an effective and promoting instrument for earning foreign exchange. He also suggests that the tourism industry is generally believed to be labor-intensive rather than capital-intensive in developing countries like Nepal. It gives the people of Nepal an extra way to make money (Sharma, 2017).

Shrestha (1998) in his doctoral study "Tourism Marketing in Nepal" has precisely highlighted the challenges of tourism marketing in Nepal. His main findings were that Nepal is extremely rich in tourism products, and they exist all over the country. Natural wealth and cultural and monumental heritage bequeathed by history are the principal tourist products in Nepal. Further, he analyzed that tourism is a major source of foreign exchange in Nepal and plays an important role in the national economy. Tourism helps to promote the balance of payment and regional development of the country as well. Hence, the contribution of tourism to the socio-economic. The development of Nepal is very significant.

Sharma (2001) deals with "Tourism Development Planning in Nepal" by using various econometric tools to establish a relationship between gross

domestic product and tourism income in the Nepalese economy. The estimation shows that tourism income elasticity is nearly 0.2, which means that a one percent increase in tourism income will increase the gross domestic product by twenty percent.

Panta (2002) has analyzed the impact of tourism on the economic development of Nepal. In his study, he concluded that tourism is one of the major sources of foreign currency. During the fiscal year 1995–1996, tourism made up 3% of the total GDP, 18% of all foreign currency earnings, and 47.9% of all exports of goods. He has analyzed the tourism industry as an important component of the Nepalese economy because of its comparative advantage. Tourism has contributed to increasing the balance of payments.

Maharjan (2004), in his doctoral study on the topic "Tourism Planning in Nepal", has precisely highlighted tourism planning practice in Nepal. His study found that the importance of tourism planning, especially strategic planning, has not yet been fully realized even by tourism planning or private tourism institutions. The form of planning is a new phenomenon in the Nepalese private sector. Thus, activities are not forwarded in the desired direction. The study also concluded that strategic planning has only been done by a quarter of the tourism institutions. That shows that institutions lack long-term vision and strategic thinking. Bureaucracy and politics have had a big impact on how tourism planning is done and how decisions are made. Without strategic planning, tourism planning in the public sector has been ineffective. The study has shown that planning

for tourism in Nepal has many problems, which are called "planning myopia".

In his research paper, Sharma (2003) deals with hotel industry employment. He presented the growth of tourism, its exchange rate, its positive contribution to Nepal's growing hotel sector, and the increased employment opportunities as a result of tourism growth. He has recognized that the hotel industry has reduced the burden of unemployment in the country. By applying the regression, it is concluded that the growth pattern of the tourism sector of Nepal demonstrates a remarkable growth in tourist arrivals and earnings from tourism. Impressive growth has been witnessed, followed by rooms and beds. However, the average guest night per tourist virtually remained stagnant. Tourism not only generates income but also helps to raise direct employment in the hotel industry of Nepal.

Tripathi (2004) in his study "Prospect of Tourism Development in Lekhnath Municipality" concluded that the inflow of tourists visiting Nepal has been increasing from 1962 to 2000, except for a few years. At the same time, the number of tourists visiting Pokhara has also grown in a similar way. Due to the lack of annual data on visitors in Lekhnath Municipality, the total number of tourists arriving in Pokhara is converted by 40 percent to determine the number of tourists visiting Lekhnath Municipality. The number of tourists arriving varies according to the seasons. Autumn is the peak season, followed by spring. Tourist arrivals are limited in winter and summer. Domestic tourists also come to the Lekhnath area from various places. A field survey shows that the

majority of domestic visitors are from Kaski, Kathmandu, and Chitwan, respectively. The number of tourists visiting India is the highest among all foreigners. They travel by tourist bus from Pokhara to the Begnas lake area with their guide. They stayed for a few hours, before returning to Pokhara.

According to CAAN (2007), Nepal's government has air agreements with 36 countries so far, and 12 of such countries are directly connected to Nepal. Out of 41 airline companies licensed by CAAN, 16 companies licensed so far are in operation. Nepal's government has already signed air seat agreements with more than 36 countries.

In 2007, air traffic growth on the international front was relatively higher, influenced by the presence of low-cost carriers in the sub-region as well as in the entire Asia-Pacific region for the past few years. It was also boosted by good air conductivity at many destinations. The entry of new foreign airlines and fifty years of uninterrupted service by Nepal Airlines also helped to raise the number of air passengers in Nepal. Nepal has good air links with a number of countries in the world, such as India, Bangladesh, Pakistan, Bhutan, Thailand, China, Malaysia, United Arab Emirates, Japan, Qatar, Oman, Bahrain, and South Korea, and has signed Memorandums of Understanding (MOUs) /ASAs with 35 countries.

In his research on the topic of "Major economic impact of tourism in Nepal", Lamichhane (2009) deals with the impact of tourism. He

analyzed the employment generated from tourism and gave some suggestions for tourism development in Nepal. His study period was from the fiscal years 1990/91 to 2006/07. His study shows that the total foreign exchange earnings from tourism were recorded at Rs. 3587.6 million in FY 1990/91, which increased and reached Rs. 10125.5 million in FY 2006/07, increasing about 3 times more during the study period. Tourism earnings appear to contribute less to GDP, accounting for only 1.5 percent of total GDP in the fiscal year 2006/07. The tourism sector compensated for a 7.7 percent share of the country's total trade deficit in FY 2006/07, down from 22.65 percent in 1990/91. There were 83,500 direct jobs in the tourism sector in Nepal in the fiscal year 2005/06. His study also shows that the annual growth rate of hotels, both stars, and non-stars, from the year 1990 to 2007 was 7.2 percent. The study deals with "tourism and economic growth in Nepal". He studied the data from 1974 to 2010 using the methods of unit root test, co-integration, Granger causality test, and error correction method. The study shows that there is a short-term dynamic relationship between tourism income and GDP, as well as a long-term co-integrating relationship between the two.

Sapkota (2011) deals with "The trend and structure of tourist arrivals in Nepal". He analyzed that tourist arrivals in Nepal seem to fluctuate year by year. In 2011, 73,215 international tourists visited Nepal. This year, 22.1 percent more tourists came to Nepal than in 2010. Likewise, the lowest number of tourist arrivals from 1996 to 2002 was due to the extreme political instability; Indian airlines were being high-jacked in Kathmandu; the Twin Towers of the U.S.A. Being attacked on September

11th, 2001; and wars in Middle East states. However, the trend of tourist arrivals in Nepal seems to be increasing. The trend line shows that the growth rate of tourist arrivals was 1,234 per year, which is significant.

Paudyal (2012) deals "Does tourism really matter for economic growth? By using regression and causality tests, taking the data of thirty-six years from 1975 to 2010, it is estimated that the multiplier value is 1.21 and that there exists a bi-directional impact in the case of tourism receipts and GDP. In addition, tourism receipts are found to have a bi-directional relationship with some other variables such as GNI, exports, private consumption, imports, and so on. Does this show that tourism is an important component of economic growth in Nepal?

Khalil et al.(2013) examined the role of tourism in the economic growth of Pakistan. Using annual data for the period from 1960 to 2005, they empirically identified whether there is a unidirectional or bidirectional causal relation between tourism and economic growth. Using the concept and method of co-integration and the Granger Causality Test, they looked at both the short-term dynamic relationships and the long-term equilibrium conditions. They found that tourism and economic growth in Pakistan are linked (Sharma, 2001).

CHAPTER 3 : RESEARCH METHODOLOGY

This chapter mostly deals with the framework within which this research has been carried out. It is fundamental to describe, explain, and predict the basis on which this study is based before highlighting and analyzing data and providing a work plan for the research. To achieve the goal of the study, several things are used, such as a research plan and design, procedures for collecting data, the type and source of data, and descriptive and statistical analyses of data.

3.1 RESEARCH DESIGN

The study adopted a combination of analytical and descriptive research design to collect and analyze data. For purposes, length of stay, expenditure, problems, and specifications of the model was tabulated and analyzed in a descriptive way. The majority of the data and information in this research work came from secondary sources.

3.2 DATA

The present study is purely based on secondary data of tourist arrivals from the last ten years to meet the set objectives. The secondary data and bits of information were taken from published sources such as journals, books, and different statistical reports, depending on what was needed.

3.3 SAMPLE TECHNIQUE

In order to generalize and distribute the research results across the whole population, the sample is a selection of study units. The non-probability-based prospective sample is used for the objectives of this research. This study did not properly use any probability approaches for random sampling since the researchers tracked the data before determining that it suited the goals of the study design. In order to analyze and produce the outcome, data from 1990 to 2019 were utilized as samples.

3.4 DATA NATURE AND COLLECTION METHOD

The Nepal Statistical Yearbook, published by the Central Bureau of Statistics (CBS), the Annual Report of the Nepal Rastra Bank, and the Economic Survey of the Ministry of Finance, were cited to acquire reliable and valid data for the study. On the basis of research objectives, questions, and type of data required for the study, secondary data and information on the total tourist arrivals in Nepal, the purpose of visits, average stay, total arrivals by nationalities, and total foreign exchange earnings from tourism have been required from the Nepal Tourism Statistics, published by MOCTCA, and the Economic Survey, published by MOF, Nepal.

3.5 TOOLS AND ANALYSIS

The collected data will be analyzed qualitatively and quantitatively. The data will be analyzed through ratios and percentages. The tables, charts, and diagrams will be prepared to analyze and present the data.

A) Trend Line Analysis

The trend analysis of the total tourist arrivals in Nepal and total foreign exchange earnings from tourism will be calculated using the simple linear function using the least square method. The established equation is given below.

$$Y = a + bX$$

Where Y = number of tourist arrivals

X = time variable in year

A = regression constant

B = slope of the regression line

B) Multiple Regression Analysis

Simple regression is an equation with one independent (explanatory) variable. Let us take a simple regression equation with a dependent variable Y and an independent variable X₁. Then the regression equation or line of Y on X₁ is:

$$Y = a + b_1X_1$$

From simple regression, the relationship between the dependent variable and the independent variable is given. Once a simple regression equation has been constructed, one can check how good it is (in terms of

predictive ability) by examining the coefficient of determination (R^2). R^2 always lies between 0 and 1.

The model:

The simple regression model will be used for the comparative study

$$\text{Log(TA)} = A + \beta_1 \times \log(\text{CPIN}) + \beta_2 \times \log(\text{NTRIN}) + \beta_3 \times \log(\text{TB}) + \beta_4 \times \log(\text{FDI}) + \beta_5 \times \log(\text{ND})$$

Where $\log(\text{TA})$ is a natural log of tourist arrival in Nepal.

$\log(\text{CPIN})$ is a natural log of the Consumer Price Index of Nepal.

$\log(\text{NTRIN})$ is a natural log of the number of Terrorism-related incidents in Nepal.

$\log(\text{TB})$ is a natural source of Government investment in the tourism industry.

$\log(\text{FDI})$ is a natural log of Foreign Direct Investment in Nepal.

$\log(\text{ND})$ is a natural log of the Total number of Natural Disasters.

β_1 , β_2 , β_3 , β_4 , and β_5 are the beta coefficients of the explanatory variables to be estimated.

C) R^2 – Coefficient of determination

A related question is whether the independent variables influence the dependent variables significantly. Statistically, it is equivalent to testing the null hypothesis that the relevant regression coefficient is zero. This can be done by using the t-test. All software provides it whenever a regression procedure is run. The closer R^2 is to 1, the better the model and its predictions. If the t-test of the regression coefficient is significant, it means that the variable in question has a significant effect on Y even

when other explanatory variables are taken into account.

D) Test of Significance

These values correspond to the probability of observing such an extreme value by chance. Suppose the P-value is 0.0082, so the probability of observing such a value by chance is less than 0.01, and the result is significant at the 0.01 level. The significance level for a given hypothesis test is a value for which the P-value is less than or equal to 0.05, which is considered statistically significant. The most common values are 0.1, 0.05, and 0.01.

3.6 RESEARCH VARIABLES

The following factors were the important elements of this study:

3.6.1 TOURIST ARRIVAL IN NEPAL

Nepal, a landlocked nation in South Asia, is incredibly beautiful in nature and has many different cultural traditions. In addition to more than 10 mountains that rise above 8,000 meters, this little territory is home to "Everest, " the highest peak in the world (known as "Sagarmatha" in Nepali). This little nation has an almost incredible variety of species. This country is without a doubt the most magnificent location for nature-based tourism because of its extensive woods, many rivers and streams, green hills, and deep gorges. International visitor visits to Nepal have increased dramatically over the past 40 years, contributing around

30% of the country's total foreign exchange (MOCTCA, 2018). The political unrest in Nepal and the 2015 natural catastrophe, which will also be impacted by the worldwide pandemic COVID-19 in 2020, have caused fluctuations in the number of tourists visiting the country during the previous several years. However, since the Republic of Nepal's constitution was adopted, tourism-related activities have greatly risen.

The sector of tourism in Nepal significantly boosts the country's economy. Increased foreign tourism helps businesses and investors get access to capital, creating more jobs, income, and tax revenue. However, the development of tourism is increasingly reliant on a number of elements, including infrastructure that is conducive to tourists, information and communication, improved transit, safety, and security. Additionally, the political climate and international affairs of the country have an impact on visitor demand (Hall & O'Sullivan, 1996). Due to its reputation as a nation of the Himalayas, Nepal is predominantly a mountaineering destination. However, Nepal has a wide range of cultural traditions and biological features. If we look at the history of tourism in Nepal, we can see that it has purposefully been influenced by the nation's political climate of the nation. The country saw the lowest number of foreign visitor arrivals during Maoist operations. Following the adoption of the new constitution in 2015, the rate of arrivals rose, and the devastating earthquake in Nepal in 2015 had a devastating impact on visitor arrivals. In order to increase tourist numbers, Nepal held two "visit Nepal" campaigns in 1998 and 2011.

Although the first tourist year of the country, 1998, did not meet expectations in terms of visitor arrivals, it nevertheless managed to improve Nepal's reputation abroad. Then, in 2011, the country observed Visit Nepal Year in an effort to force 1 million tourists to visit Nepal. Despite a 22% increase in visitor numbers since 2010, the result was insufficient. Again, Visit Nepal 2020 was announced by the government of Nepal with the anticipation of 2 million visitors. The program has been scrapped because of the worldwide pandemic, COVID-19. The phenomenon of tourism demand modeling is extensively referenced in the literature on anticipating visitor arrivals. To predict tourist arrivals, an autoregressive integrative moving average (ARIMA) is frequently utilized (Tularam, Wong, & Nejad, 2012). Chang and Liao (2010) explored Taiwan's use of the ARIMA model for tourist forecasting. Risk analysis was used to study the monthly arrival of foreign visitors in Nepal by Neupane, Shrestha, and Upadhyaya (2012). Because Nepal is striving for an ambitious goal of having two million tourists in a single year, forecasting tourist arrivals is crucial. The objective of this study is to empirically assess the tourist arrival trend in Nepal and to investigate, using a quantitative System Dynamics (SD) method, the components necessary to attract the two million anticipated tourists. In order to reach the target of two million visitors, the logistic model and further analyses were specifically performed using Gompertz to examine the tourist arrival trend from 1991 to 2018. The gap between theoretical and empirical factors of tourist arrivals in the Nepalese tourism sector has been filled by this study. The findings will help government officials, planners, financiers, and policymakers in Nepal who work in the tourism industry.

Visitors have been arriving in Nepal for a very long time. The pace of arrivals has risen since the British Mount Everest Expedition in 1953. Currently, this area is a major mountain and hiking tourism center in the Himalayas (Stevens, 1993). According to certain writings, Boris Lissanevitch established the Nepalese tourism industry. Boris Lissanevitch, a Russian who arrived in Nepal while it was still a forbidding mountain monarchy, is responsible for the growth of the country's tourist business (Himalaya, 2008). Since Lissanevitch realized that Nepal makes a great travel destination, the tourism sector has grown tremendously and has become a crucial part of the Nepalese economy. Mt. Everest is the country's most famous landmark, and the high Himalayan areas of Nepal have become one of the world's premier destinations for mountaineering and trekking routes with enormous potential for tourist expansion. In the most remote corner of the world, Nepal's small-scale adventure tourism brand has the power to connect this nation with the global economy and provide new chances for regional economic growth. However, despite the fact that the tourist sector's rate of growth does not appear promising from the standpoint of economic development, this business has limitless potential and accounts for a sizeable portion of foreign exchange revenues. One of Nepal's main sources of foreign income is the tourism sector. According to WTTC (2019), a net of \$240.7 billion in foreign revenue supported 1.05 million jobs both directly and indirectly. Nonetheless, the sector contributed an average of 7.9 % of GDP. Overall, the travel and tourism industry in Nepal contributed NPR195 billion to the GDP, up 3.9% from the previous year. A large amount of worry has been expressed in the revised government policies regarding the true value

of tourism, its contribution to the growth of the economy of the nation, and the general development of tourism. The tourist sector has a significant role in reducing poverty and promoting social fairness.

Overview of Visit Nepal Campaign and Tourist Arrivals

In the 1950s, once democracy was restored, Nepal welcomed visitors from abroad. Since then, the government of Nepal has worked tirelessly to increase Nepal's ability to attract tourists and its economic contribution in light of its mystifying environment. More than one million jobs and NPR240 billion in total have been created in Nepal as a result of a record of 1,173,072 tourists in 2018 alone. The global virus called COVID-19 spread from China at the end of December 2019 and placed the globe on lockdown. Therefore, the program was canceled. At the time, Nepal had plans for the third iteration of a year-long tourist project called Visit Nepal 2020, with the slogan "a lifelong experience." In order to assess the development of the Nepalese tourist sector, we compared Visit Nepal 1998 to Nepal Tourism Year 2011. To promote the nation as a distinctive travel destination, the Nepalese government-designated 1998 as the "Visit Nepal" year in 1996. To welcome more than 500,000 guests, the phrase "Sustainable environment via sustainable tourism" was created. This ground-breaking subject emphasized the need for tourism to coexist peacefully with the environment and to encourage ecologically responsible and ethical tourism. The previous administration made some major reforms, particularly in the aviation industry, such as increasing the number of

foreign flights and seat capacity. Back then, 463,684 tourists were successfully received by the nation. In 2009, the Republic of Nepal declared that 2011 would be Nepal's Year of Tourism. With the development of infrastructure and the marketing of distinctive locations, the government implemented a "one-district, one-destination" identification scheme. The government of Nepal has run extensive campaigns to promote both adventure and cultural tourism. Despite not reaching its target of one million tourists, the nation nonetheless welcomed over 700,000 travelers, a historical high. Impressively, the tourist sector contributed more than 7% of the GDP (more than \$1 billion). The program assisted in improving Nepal's tourist economy and cleaning up its image after a decade of political unrest and civil conflict. The government has plans to run two new international airports in Lumbini, the birthplace of the Lord Buddha, and Pokhara, a lovely city on a lake, by installing a new Airbus 330-220. (MOF. 2009). To assure the availability of incoming and leaving tourist services, the government is also intending to operate Tribhuvan International Airport for an additional 3 hours each day, in addition to the standard 18 hours. The hotel industry intends to build 4,000 more rooms in its four and five-star categories in popular locations including Pokhara, Kathmandu, and Chitwan. Multinational hotel groups including Marriott, DoubleTree, and Hilton are anticipated to make their debuts soon (MOCTCA, 2018). The goal of this study is to investigate and analyze in an unbiased way what causes people from other countries to visit Nepal.

3.6.2 TERRORISM RELATED INCIDENTS AND TOURIST ARRIVAL

The "Prospect Theory" holds that travelers are logical consumers who, given a choice between two possibilities, choose to select one with the greatest potential for rewards and the lowest risk. While travelers are aware that there is a danger of terrorism, they are more cautious when making travel plans and are more likely to use risk-reduction techniques. According to the argument, travelers would steer clear of locations they believe to be associated with this sort of hazard since they are aware of terrorist concerns and have some flexibility in their travel plans (Tversky & Kahneman, 1992). Due to the confluence of economic, sociocultural, political, and technical forces, markets are becoming increasingly global. As the globe becomes a unified market, consumer lives have become more uniform, and "global consumers" are on the increase.

Being one of the most international economic activities, tourism is subject to the same dangers as other international businesses. Since the entire world is now linked, tourist problems in one region can have a significant impact on others. Tourists may harm whole regions that are plagued by violence or those they believe to be under threat from terrorism when they substitute risky destinations with others they deem safer. This fact highlights the geographic distribution of terrorist attacks' consequences and their knock-on effects on places and areas (cal & Yildirim, 2010). It's problematic how terrorism is defined. According to previous research, the Global Terrorism Database describes terrorism as "the threatened or actual use of illegal force and violence by a non-state

actor to attain a political, economic, religious, or social aim through fear, coercion, or intimidation" (Lutz & Lutz, 2018). In order to incite tension in the largest audience possible, terrorist strikes typically "appear to be random and scattered" (Cal & Yildirim, 2010, p. 481). Since visitors prioritize safety, tranquillity, and peace while making decisions, the demand for tourism is particularly vulnerable to terrorist attacks (Araa & León, 2008). Research from the past has consistently demonstrated how heavily the tourist sector is exposed to terrorism and violence and how it is one of the economic sectors most susceptible to this danger. According to several research, in both the short-term and long-term negatively affect tourism overall (Araa & León, 2008). This is mostly because terrorism threats have an impact on how visitors make decisions. Undoubtedly, one of the top worries for travelers is safety. It is an essential human need. As a result, it influences both general human behavior and specific consumer behavior (Isaac & Velden, 2018). When individuals travel, they don't want to feel as though their integrity is in danger. In order to satisfy their aspirations with the least amount of hassle and safety risks, tourists are concerned about where they will be going. Anyone traveling for pleasure or business should anticipate being safe wherever they go (Baker, 2014). Consequently, one of the essential elements for the growth of the tourist sector is stability (Almuhzzi, Scott, & Alroiya, 2017).

It can have both a strong and detrimental effect on demand if any event upsets this equilibrium and makes tourists perceive risk. Risk perception is related to the unpredictability of outcomes and potential loss and it is

linked to several elements that may affect travelers' choice of action. Seven categories of risk perception have been taken into account since the initial research on leisure and travel: i) psychological: how travel will affect one's own perception of themselves; ii) social: effects on one's perception of others; iii) financial: the value of money; iv) time: the cost of the time wasted while planning and traveling; v) physical: impacts on one's physical and mental wellbeing; vi) satisfaction: likelihood of feeling some sort of dissatisfaction with the trip or one of its components; and vii) functional: linked to poor trip planning and equipment. These dangers are connected to three aspects of travel: the risk of a holiday, the risk of physical equipment, and the risk of the location. Additional investigation into the risk variables connected to tourist sites has uncovered more precise problems, such as health: risk factors for bodily harm, disease, or injury (Baker, 2014). The two biggest issues for tourism are terrorism and political unrest. In reality, the top three concerns of younger generations are "war, terrorism, and political conflict." According to other studies, visiting places affected by terrorism and political instability pose "especially haunting dangers due to the unpredictable, involuntary, and random character of the possible damage involved" (Kapuciski & Richards, 2016). In this approach, regardless of a visitor's place of origin or cultural background, the perceived danger of terrorism is more potent and will affect their behavior and decision-making (Seabra et al., 2018). According to Seabra et al. (2018), there may be a causal link between terrorism and poor travel outcomes. Additionally, Raza and Jawaaid (2013) established a one-way causal link between terrorism and tourism. They contend that there is a distinct causal

pathway connecting terrorism and tourism. The so-called memory effect is mostly to blame for the changes in visitors' decision-making brought on by the perceived threats of terrorist attacks. Any sensation, anxiety, or terror that prompts people to deviate from their regular actions is referred to as a "memory effect" by Shin (2017). After experiencing or learning about terrible things that have happened in a given region, people develop a memory effect. Terrorist incidents might cause significant sensitivity between travelers' first memories of a location and their later perceptions of that same destination. This leaves a lasting memory or remembrance impact. Because of such painful memories, previous assaults had a direct impact on the number of tourists who visited the impacted nations. As a result, travelers will switch to other locations they deem safer in place of their traditional vacation spots (Seabra et al., 2018). They will eventually return to their preferred locations, which is why this memory effect is temporary even though, according to prior studies, its effects may continue for quite some time. The frequency of terrorism-related occurrences in Nepal and tourist arrivals were found to be negatively correlated in this study.

3.6.3 NATURAL DISASTERS AND TOURIST ARRIVAL

Natural or man-made calamities can affect any tourist location. These catastrophes can lead to an unpredictably changing economy, in addition to affecting the perception of travel locations and tourism experiences. More than 9,000 people died and 22,000 were injured in Nepal in 2015 as a result of a 7.8-magnitude earthquake and its aftershocks, which also

resulted in the destruction of several historic monuments and an overall economic loss of \$5 billion (Weiss–Dagan et al., 2015). Following that, there was a rapid decline in visitor numbers, which went from 79,187 visitors in March 2015 to 17,569 visitors in May 2015. The majority of research in the economics literature has concentrated on how to quantify the consequences of catastrophes and how to respond to them in a way that minimizes economic losses. On the other hand, nothing has been published on how disaster-resistant a tourist destination is. The question of why visitors visit areas affected by natural catastrophes has received very little attention. Nepal is a popular place to visit because it has a number of cultural and natural heritage sites that are protected by UNESCO. These sites include Lumbini, which is known as the birthplace of Buddha, and the world's tallest peak (Mendoza, 2012).

The country's tourist resources, both natural and cultural, are heavily dependent on and contribute to its natural and cultural preservation, which also influences its GDP. According to research by the World Travel and Tourism Council, tourism contributes almost 10% of Nepal's GDP. The number of tourist arrivals significantly decreased as a result of the disaster's losses, which had a negative impact on the economy. Previous research has focused on the long-term effects of natural and man-made disasters on economic development and has discovered a lengthier negative effect when incidents cause harm or death to both visitors and locals. In contrast to earlier study findings, the Nepal Tourism Board's recent tourism statistics show a sharp increase in foreign visitor arrivals, outpacing the 2014 high by 48%. This pattern could be

explained by the short-term beneficial effects of restoration on economic development and the rise in "dark tourism, " the practice of visiting catastrophe memorial sites (Stone, 2011). During the first week following the 9/11 terrorist attacks, for instance, New York became the least preferred destination, with a \$2 billion reduction in tourism income. However, after ten years, the memorial site was among the busiest tourist destinations on the planet. The locations could act as memorials and places of remembrance for the victims, and the publicity surrounding a disaster might increase people's knowledge and interest in the location. Analysis of the effects of a natural catastrophe in light of visitor motives and destination features may be useful given that Nepal is a well-liked natural and historical tourist destination. Previous research in the tourist literature about the Nepal earthquakes looked into dark tourism, volunteer and accessible travel, perceived advantages among locals, and restoring the destination's image via a Facebook page. The economic examination of the effects of tourist features adds to the body of knowledge since this research included content analysis, observation, qualitative analysis, and a resident survey (Beirman et al. 2018). This study looks at secondary data from the Nepal Ministry of Culture, Tourism, and Civil Aviation (NMCTCA) that was released every year from 1990 to 2019. The goal is to find out how natural disasters affect visitors' trips.

3.6.4 FOREIGN DIRECT INVESTMENT AND TOURIST ARRIVAL

An economy's development by tourism is significantly influenced by

foreign direct investment. This creates a long-term desire for managerial control over an organization in a host nation. A long-term investment in the company requires at least 10% of ordinary shares or voting rights. This encourages the growth of environmentally friendly tourism. Sustainable tourism development is the management of the demands of current visitors and host communities while preserving and increasing opportunities for the future. Additionally, the administration plans to make use of all available resources in a way that will satisfy economic, social, and aesthetic objectives while preserving cultural integrity, crucial ecological processes, biological variety, and life. The growth of the tourist sector is significantly influenced by foreign direct investment. It gives the industry the money it needs (United Nations Conference on Trade and Development, 2007; Nunkoo & Seetanah, 2018, p. 557, citing UNCTAD).

Additionally, it makes it easier to transfer information, skills, and manufacturing methods to the host nation (s). As a result of this coherence, the tourist sector may contribute 3.6 percent to global GDP in 2018 (World Tourism Organization [WTO], 2019, p. 4). In addition, tourism was the third-largest export sector in the world in 2019. (WTO, 2020, p. 4). However, the growth of tourism in emerging Asian nations like Nepal is incompatible due to a lack of foreign direct investment. The small net influx of foreign direct investment in Asia's developing nations does not appear to be driving innovation in the region's cutting-edge hotels, restaurants, historical tours, and entertainment venues. In this case, foreign direct investment is needed to build transportation infrastructure,

hotels, and airports (Nunkoo & Seetanah, 2018, p. 557).

In Nepal, there is a definite capital need for modernizing the tourist industry. Additionally, Nepal has just recently recognized tourism as a promising area for economic growth and international direct investment. The prominence of tourism was first obscured in Nepal's five-year plans (Basnyat, 2013, p. 1). In the 1980s, Nepal started making an effort to create institutional and legal infrastructure to make conducting business easier and to draw foreign direct investment (Nepal Rastra Bank [NRB], 2018, p. 11). As a result, up until mid-July 2019 (NRB, 2021, pp. 22–23), she held in significant foreign direct investment stock totaling NRs. 182,919.6 million. Analytical analysis of the impact of foreign direct investment inflow on tourist growth points to a key route for addressing Nepal's capital needs. This study specifies objectives in order to determine and debate the causal link between foreign direct investment inflow and tourist growth in Nepal. In this study, which tries to determine how to make up for the lack of money for tourism, the money made from tourism and the number of foreign visitors are used as stand-ins for tourism development.

3.6.5 GOVERNMENT INVESTMENT IN THE TOURISM INDUSTRY AND TOURIST ARRIVAL

One of the largest sectors in the world, tourism appears to have been crucial to the economic growth of many nations. Prior studies conducted by other nations discovered that, with adequate planning and

management, tourism may support economic growth and development. Thus, it is well acknowledged for its role in the structural shift of the economy from traditional agriculture to services. The help in settling the unfavorable balance of payments is brand new. Benefits from tourism must be produced, but there are also significant social and environmental costs, including lost opportunities. In order for the social benefits of tourism to outweigh social costs, there is a rising understanding of the need to lower social costs related to tourism. It makes sense that a non-travel president does not automatically boost the local economy. The local economy gains from the tourists' purchases of products and services. Therefore, it is usually preferable to use and offer local things that are of high quality and are hygienic while providing visitors rather than doing so. The availability of items made locally has connections to other economic sectors that increase an economy's direct and indirect employment and revenue generation. Tourists pay for entertainment, accommodations like hotels, resorts, bars, and restaurants, as well as the sale of handicrafts and souvenirs, among other things. They also pay for transportation services like those provided by taxis, buses, trains, and airplanes. The local population's income rises as a result of these tourist-generated expenditures, at least in part. According to English viewpoints, another person's satisfaction can support them financially (English, 1986).

Due to the high-income elasticity of demand for commodities in a poor society like the Nepalese, this gain in wealth will result in a higher shift in the demand curve of the local population for products like food and

clothes. The income elasticities of these commodities will decrease as income rises. Thus, as a result of increased local demand for products and services as a result of the influx of visitors, the cost of food and other items has increased. Low-income residents in metropolitan regions would likely be harmed by this price increase. On the one hand, this may be one of the negative effects of tourist growth; on the other hand, the subsequent price increase might be seen as an incentive for farmers to increase production, which could result in increased output from the agricultural sector. In addition, as economies become more industrialized as a result of demand for industrial goods, more workers will be needed in that industry. The industrial sector hires some of the employees who leave the agriculture sector. As the number of tourists increases, aggregate demand rises as well, creating more jobs and money for the country's economy. However, if the supply of products and services is not increased to keep up with the rising demand for them, this imbalance between supply and demand may result in price inflation, which will have a negative impact on both the local population's standard of living and the influx of tourists. Tourist spending is partially offset by a rise in imports of products from other countries as a result of increased demand for goods and services, which puts pressure on the country's trade imbalance. With such great potential for the growth of tourism, Nepal has been working to do so (Ministry of Finance, 2011).

In this setting, the Nepali government made its own investments in institutional and tourism-related infrastructure while also enticing the private sector to do the same through a number of policy measures. In

addition to boosting the economy through multiplier effects, tourism also provides the foreign cash needed for large-scale investment, which is then utilized to import management talent and equipment, as well as much-needed contemporary technology. Thus, the government has taken the lead and invested in the creation of tourist infrastructure and amenities that may be utilized by other economic sectors. Governments frequently look to multilateral donor agencies for soft loans as a source of foreign funding for the construction of infrastructure and tourism-related amenities. This kind of foreign assistance was given to the Nepalese government by the Asian Development Bank for the modernization of the Tribhuvan International Airport and other tourist infrastructure and services. The government of the destination is forced to seek foreign finance due to the significant capital needs for the development of tourist infrastructure and services. Foreigners with foreign direct private investment manage several of the typical hotels and tourism businesses. In mid-April 2009, there were 96 joint venture tourist firms functioning in Nepal, with project expenses totaling Rs 6637.90 million (FNICC, 2009: 61). A further 113 tourism projects are now under construction. In this study, researchers looked to see if there was a link between how much the government spent on tourism and how many people went there.

3.6.6 CONSUMER PRICE INDEX OF NEPAL AND TOURIST ARRIVAL

Before visiting any nation, tourists check the country's consumer price

index. Tourist arrivals and consumer price index are related. The monthly variation in prices paid by Nepalese consumers is measured by the Consumer Price Index Nepal (CPIN). The CPIN is calculated by the Nepal Bureau of Labor Statistics (BLS) as a weighted average of prices for a basket of products and services that is reflective of total consumer expenditure in Nepal. One of the most commonly used indicators of inflation and deflation is the CPIN. The producer price index Nepal (PPIN), which tracks changes in the prices paid to Nepalese producers of products and services, has a different survey methodology, pricing sample, and index weights than the CPIN report. Based on a representative basket of goods and services, the Consumer Price Index tracks the overall change in consumer prices over time. Policymakers, financial markets, companies, and consumers all carefully track the CPIN as the most widely used indicator of inflation. The often-cited CPIN is based on an index that accounts for 93% of Nepal's population, while cost-of-living adjustments to government benefits are made using a comparable index that accounts for wage earners and clerical employees. The CPIN is based on over 94,000 price quotations that are gathered each month from approximately 23,000 retail and service businesses and 43,000 rental housing units. Owner-occupied housing, which makes up about a third of the CPIN, is included when estimating the change in shelter costs using housing rentals. The Consumer Price Index aids in determining a location's price increase and predicting the pre-trip budget. The consumer price index and visitor arrivals are closely related. This research article examines the link between tourist arrivals and the consumer price index.

3.7 ESTIMATED MODEL

The simple regression model has been used for comparative studies

$$\text{Log(TA)} = A + \beta_1 \times \log(\text{CPIN}) + \beta_2 \times \log(\text{NTRIN}) + \beta_3 \times \log(\text{TB}) + \beta_4 \times \log(\text{FDI}) + \beta_5 \times \log(\text{ND})$$

Where,

A log(TA) is a natural log of tourist arrival in Nepal.

Log(CPIN) is a natural log of the Consumer Price Index of Nepal.

Log(NTRIN) is a natural log of the number of Terrorism-related incidents in Nepal.

Log(TB) is a natural source of Government investment in the tourism industry.

Log(FDI) is a natural log of Foreign Direct Investment in Nepal.

Log(ND) is a natural log of the Total number of Natural Disasters.

β_1 , β_2 , β_3 , β_4 , and β_5 are the beta coefficients of the explanatory variables to be estimated.

3.8 MEASUREMENTS

Measurement refers to the technique or unit utilized to measure the variables in this situation.

Variables and measurements

(1) DV (Dependent variable):

TA (tourist arrivals) in Nepal

Measurement – Number.

(2) IVs (Independent variables):

CPI of Nepal-US\$

NTRIN – Number

ND – Number

TB – Million NPR

FDI – Million NPR

CHAPTER 4 : EMPIRICAL RESULT AND RESULT ANALYSIS

The display and analysis of data are covered in this chapter. The necessary data from diverse sources is collected, categorized, and tabulated in the data analysis process to meet the study's needs. When necessary, data is provided in percentages. Tables, bar graphs, pie charts, trend lines, mean and standard deviation, and other tools are utilized as needed to meet the study's needs. On the set of data given, regression, correlation, and hypothesis testing are done with R-Studio and Microsoft Excel Office.

4.1 TREND OF TOURIST ARRIVAL IN NEPAL

The most important area for Nepal's economy is tourism, yet we don't appear prepared to fully capitalize on this business. Despite the fact that few visitors travel to Nepal, as demonstrated in Table 4.1, it has a lot of potentials. In 1962, there were 6179 visitors who arrived in Nepal. Ten years later, in 1972, there were 52,930 tourists, an 8.6-fold increase. The total number of tourist visitors climbed by 1,754,448 in the following decades, in 1982, 1992, and 2002, respectively. This represents an increase of 28.4, 54.1, and 44.6 times, respectively, in each decade, compared to the year 1962. Having registered an increase of 9.1% over 2011, which was the previous highest year for tourist arrivals in Nepal, the number of visitors reached 8, 03,092 by the end of 2012. However,

due to political unrest in the first two years, the number of visitors decreased steadily in the years 2013, 2014, and 2015. The devastating earthquake and the blockade of southern Nepal's territory were the primary causes of the population decline in 2015. But by bringing in more tourists in 2016 than in 2015, it hopes to get back to where it was.

Table 4. 1 Number of Tourist Arrivals in Nepal 1990–2019

Year	Total tourist arrival	Annual growth rate (percent)	Year	Total tourist arrival	Annual growth rate (percent)
1990	254,885.00	6.20%	2005	375,398.00	-2.57%
1991	292,995.00	14.95%	2006	383,926.00	2.27%
1992	334,353.00	14.12%	2007	526,705.00	37.19%
1993	293,567.00	-12.20%	2008	500,277.00	-5.02%
1994	326,531.00	11.23%	2009	509,956.00	1.93%
1995	363,395.00	11.29%	2010	602,867.00	18.22%
1996	393,613.00	8.32%	2011	736,215.00	22.12%
1997	421,857.00	7.18%	2012	803,092.00	9.08%
1998	463,684.00	9.91%	2013	797,616.00	-0.68%
1999	491,504.00	6.00%	2014	790,118.00	-0.94%
2000	463,646.00	-5.67%	2015	538,970.00	-31.79%
2001	361,237.00	-22.09%	2016	753,002.00	39.71%
2002	275,468.00	-23.74%	2017	940,218.00	24.86%
2003	338,132.00	22.75%	2018	1,173,072.00	24.77%
2004	385,297.00	13.95%	2019	1,197,191.00	2.06%

Source: MOCTCA, Nepal Tourism Statistics 2020.

The number of visitors who arrived in Nepal between 1990 and 1999 is shown in Table 4.1. The number of visitors that arrived grew in 2019 and reached 1,197,191, setting a new record for the country of Nepal. Except for 1993, the trend of visitor visits has considerably grown up to

1999. In 1993, the growth rate of visitor arrivals was found to be negative, down 12.2 percent from the previous year. Despite a consistent tendency in the years 1991, 1992, 1994, and 1995, trends for tourist arrivals in Nepal have also been generally stable and variable. For instance, in 1965, the number of tourists decreased by 1.5 percent as a result of the conflict between Pakistan and India. Due to the democratic movement in Nepal and the oil crisis, which caused a fall in global tourism, there has been a relative stagnancy during the years 1978–1982. Due to a conflict over transit and commerce between India and Nepal, tourist arrivals fell in 1989. In 1993, the number of tourists went down because of many things, such as lower visa fees, fewer airplane seats, plane accidents with THAI and PIA, more pollution in Kathmandu and news of it around the world, less international advertising, damage from floods and landslides, and many strikes.

The kidnapping of an Indian Airlines plane on December 24, 1999, when it was reroute from Kathmandu to Delhi, is blamed for the steady decline in tourist arrivals to the nation in the years 2000, 2001, and 2002. Once more, the number of visitors increased from the year before in 2003 and 2004, by 22.7 percent and 13.9 percent, respectively. Similarly, compared to the previous year, visitor arrivals fell by 0.5 percent in 2008 and by 2.6 percent in 2005. However, there was a consistent rise in the number of visitors in the years 2009, 2010, 2011, and 2012, by 1.9, 18.2, and 9.1, respectively. The political movement's 2008–2009 success was the primary factor. In 2013, 2014, and 2015, the number of tourists arriving in Nepal decreased steadily by 0.7, 0.9, and

32%, respectively. This was a result of political unrest in the country's first two years as well as the disastrous earthquake and blockade in the south of the nation, which severely hampered Nepal's economy and tourist industry. However, following constant work from several sectors, the tourist sector experienced some alleviation.

In 2016, there were 40 percent more visitors than in 2015. Due to the fact that it was still less than in 2012 and 2013, this quantity was insufficient. However, it increased to 940,218 in 2017, which was a significant increase in the number of tourists visiting Nepal. It increased to 119,179 in 2019 (a 2.26 percent increase over 2018). This was caused by the nation's political stability.

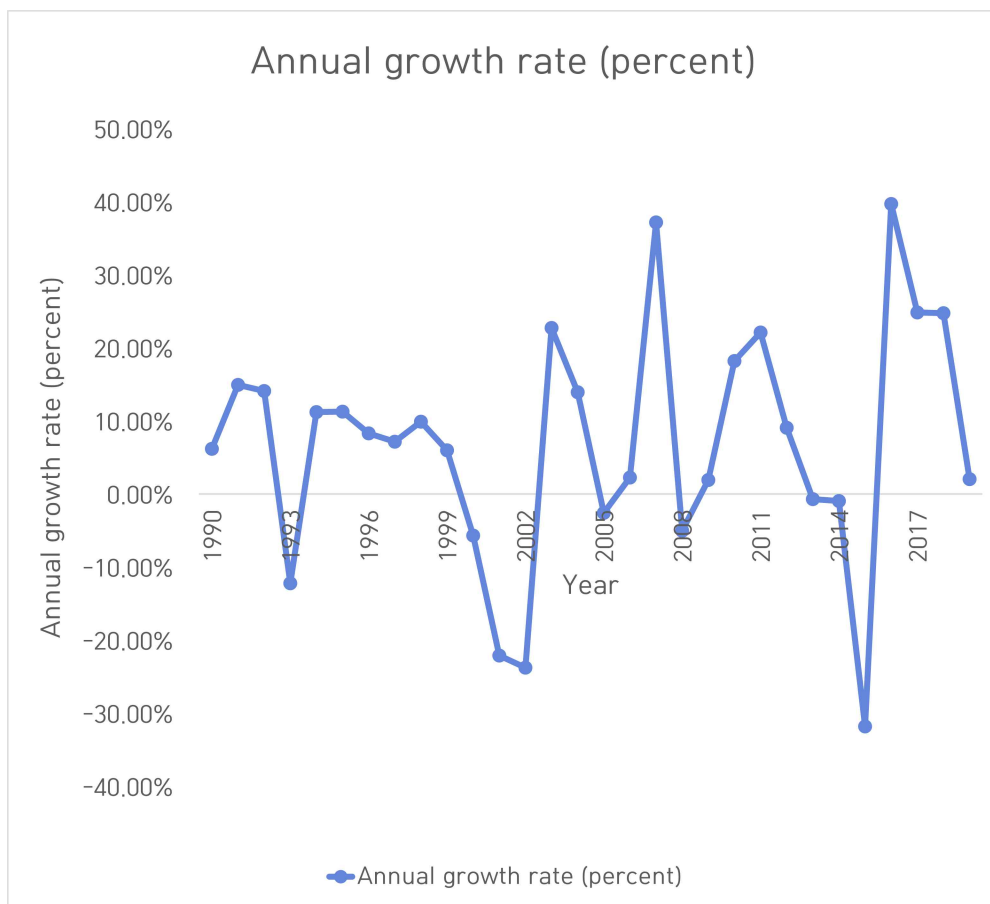


Figure 4. 1 Trend of Tourist Arrival in Nepal

Tourist arrivals climbed steadily from 1990 to 1992 but then decreased in 1993. They then slowly rose until 1999, fell steadily until 2003, rose and fell somewhat again until 2009, and then began to rise steadily. There was a little decline in 2013/14, but a very big decline in 2015. The trend line demonstrates that with each passing year, there are 19,306 more tourists visiting Nepal.

4.2 COMPOSITION OF TOURIST ARRIVAL IN NEPAL

Tourist arrival in Nepal is composed of three factors: age group, sex, and nationality. The study of the composition of tourist arrivals helps to make proper decisions at the proper time, which further helps in making proper planning for tourism.

4.2.1 MODE OF TOURIST ARRIVAL IN NEPAL AND THEIR LENGTH OF STAY

Visitors must either fly into Nepal or go by land because there are no other ways to get there. According to historical statistics, between 75 and 85 percent of tourists arrive in Nepal by plane, with the remaining 15 to 25 percent arriving by land, and they stay there for an average of 7.92 to 13.4 days. The entire trend is seen in Table 4.2. Travel alternatives, whether by air or land, must be easily accessible for the country to attract tourists. Most tourists to Nepal arrive by plane, accounting for more than 80% of all arrivals.

Table 4.2 Mode of Tourist Arrival in Nepal and their Length of Stay

Year	By Air		By land		Average Length of stay
	Number	Percent	Number	Percent	
1990	226421	88.8	28464	11.2	
1991	267932	91.4	25063	8.6	9.25
1992	300496	89.9	33857	10.1	10.14
1993	254140	86.6	39427	13.4	11.94
1994	289381	88.6	37150	11.4	10
1995	325035	89.4	38360	10.6	11.27

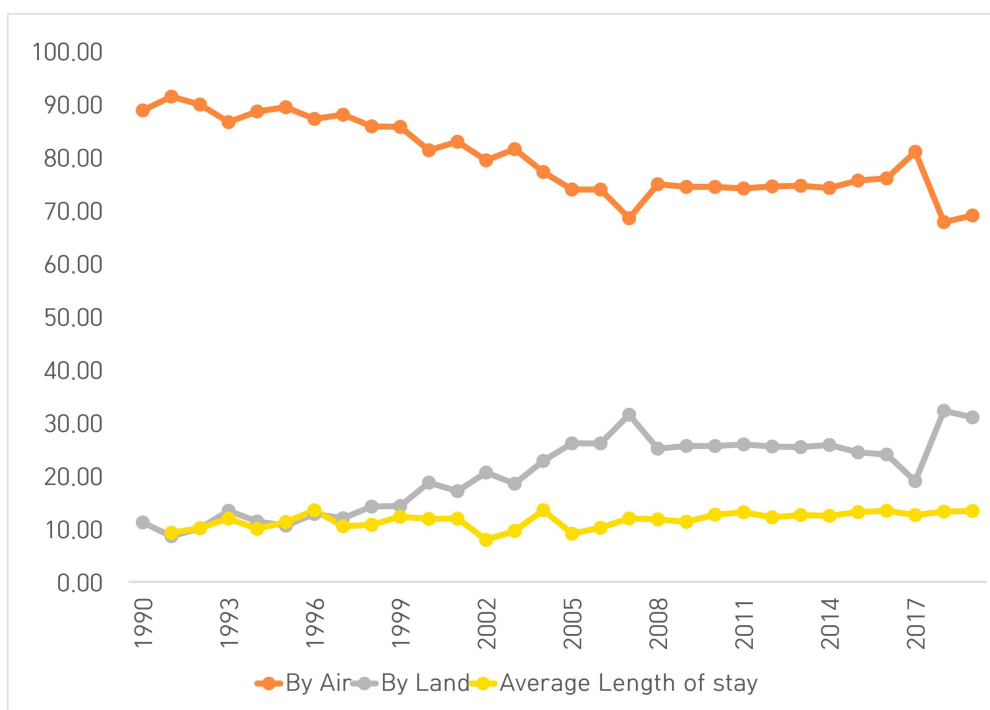
1996	343246	87.2	50367	12.8	13.5
1997	371145	88	50712	12	10.49
1998	398008	85.8	65676	14.2	10.76
1999	421243	85.7	70261	14.3	12.28
2000	376914	81.3	86732	18.7	11.88
2001	299514	82.9	61723	17.1	11.93
2002	218660	79.4	56808	20.6	7.92
2003	275438	81.5	62694	18.5	9.6
2004	297335	77.2	87962	22.8	13.51
2005	277346	73.9	98052	26.1	9.09
2006	283819	73.9	100107	26.1	10.2
2007	360713	68.5	165992	31.5	11.96
2008	374661	74.9	125616	25.1	11.78
2009	379322	74.4	130634	25.6	11.32
2010	448800	74.4	154067	25.6	12.67
2011	545221	74.1	190994	25.9	13.12
2012	598258	74.5	204834	25.5	12.16
2013	594848	74.6	202768	25.4	12.6
2014	585981	74.2	204137	25.8	12.44
2015	407412	75.6	131558	24.4	13.16
2016	572563	76	180439	24	13.4
2017	760577	81	179641	19	12.6
2018	795061	67.78	378011	32.22	13.25
2019	826196	69.01	370995	30.99	13.37

Source: Nepal Tourism Statistics, 2020, MOCTCA

Less than 20% of tourists to Nepal in the early years utilized ground transportation, compared to more than 80% who flew there. The mode of transportation utilized by tourists visiting Nepal has changed, nevertheless, since 2004. Except for 2003, more than 20% of tourists have arrived by air, and more than 20% have done so by land since 2002. The length of guest stays has a big influence on the tourism industry's expansion. Extended stays are better for the country. The average length of stay in Nepal between 1990 and 2017 varied from 7.92

days in 2002 to 13.51 days in 2004. The typical length of stay in Nepal is 12 days. The average visitor's stay was steady at around 12 days in 2012, 2013, and 2014. It increased to 13.16 and 13.4 days in 2015 and 2016, respectively, before declining once more to 12.6 days in 2017. Travelers to Nepal for mountain tourist activities seem to stay longer overall.

Figure 4. 2 Tourist Arrival by Different Modes



The graph makes it quite evident that there are more visitors arriving by plane than by land. So, it's clear that air service is very important for the tourism industry to grow.

4.2.2 TOURIST ARRIVAL BY GENDER

Due to things like paternal society, a lack of public knowledge, women's physical traits, and other things, men have always been more likely than women to travel. There is no longer a significant disparity in the number of men, as seen in Table 4.3, since the trend has altered as a result of increased public knowledge.

Table 4.3 Tourist Arrival by Sex, 1993– 2019

Year	Sex				Total
	Male	Percent	Female	Percent	
1993	179178	61	114389	39	293567
1994	205389	62.9	121142	37.1	326531
1995	224769	61.9	138626	38.1	363395
1996	233055	59.2	160558	40.8	393613
1997	251358	59.6	170499	40.4	421857
1998	267871	57.8	195813	42.2	463684
1999	286161	58.2	205343	41.8	491504
2000	266937	57.6	196709	42.4	463646
2001	213465	59.1	147772	40.9	361237
2002	174710	63.4	100758	36.6	275468
2003	204732	60.5	133400	39.5	338132
2004	255303	66.3	129994	33.7	385297
2005	257972	68.7	117426	31.3	375398
2006	218818	57	165108	43	383926
2007	290688	55.2	236017	44.8	526705
2008	286983	57.4	213294	42.6	500277
2009	288155	56.5	221801	43.5	509956
2010	361611	60	241256	40	602867
2011	352059	47.8	384156	52.2	736215
2012	439270	54.7	363822	45.3	803092
2013	449058	56.3	348558	43.7	797616
2014	445627	56.4	344491	43.6	790118

2015	289158	53.7	249813	46.4	538970
2016	399091	53	353911	47	753002
2017	509585	54.2	430633	45.8	940218
2018	620079	52.86	552993	47.14	1173072
2019	730573	61.02	466618	38.98	1197191

Source: Nepal Tourism Statistics, 2020, MOCTCA

Male visitors to Nepal predominated from 1990 to 2019, with the exception of 2011. Approximately 60% of the population is male and 40% is female on average each year. Male tourists made up 47.8% of the population in 2011, while female visitors made up 52.2%. Female tourists have been traveling to Japan in greater numbers in recent years. Public knowledge is to blame for everything.

4.2.3 TOURIST ARRIVAL IN NEPAL BY MAJOR NATIONALITY

A person must estimate their costs and gauge the study's main focus before traveling to any country. If both of them please the visitors, they intend to go, but obtaining a visa is a prerequisite in order to do so. Tourists from India outweigh those from other major countries, as seen in Table 4.4, due to the lack of a visa system between the two nations.

Table 4. 4 Tourist Arrival in Nepal by Major Nationality 2007 –2019

Nationality	2008	2010	2013	2015	2016	2017	2018	2019
Bangladesh	1122	–	22410	14831	23440	29050	36777	28264
Canada	8132	9322	12132	6495	12491	15105	21843	14616
China	35166	46360	113173	44675	104005	104664	163876	133707
France	22402	24550	21842	10885	20863	26140	40523	20268
Germany	18552	22583	22263	12216	23812	29918	35840	25748
India	120481	153674	260937	185469	157398	212497	271059	337558
Italy	7914	10226	19974	3972	9911	11840	19204	20088

Japan	23383	23332	26694	14465	22979	27326	23262	29232
South Korea	–	–	21714	18112	25171	34301	33442	38556
Myanmar	–	–	–	–	25796	30852	35901	40964
Netherlands	10900	13471	10516	4324	11453	13393	20518	25420
Spain	13851	13712	10412	4307	12255	15953	11555	15458
Sri Lanka	37817	45531	32736	33117	57521	45361	50946	59981
Thailand	–	–	40969	22338	26722	39154	45422	45389
USA	30076	36425	67355	53897	53645	79146	96938	83459
UK	33658	35091	35668	51469	46295	51058	98058	106751
Others	136823	168590	78821	58398	119245	174460	167908	171732
Total	500277	602867	797616	538970	753002	940218	1173072	1197191

Source: Nepal Tourism Statistics, 2020, MOCTCA

Travelers from all around the world like visiting Nepal. Travelers from several countries visit Nepal. In addition to a sizable contingent from the UK, USA, Sri Lanka, Japan, Germany, France, etc., the bulk of tourists to Nepal come from India. India's contribution climbed from 17.8 percent in 2001 to 25.5 percent in 2003 and 2005. Indian ethnicities had the highest percentage of presence in 1984 (33.2%). The biggest source of tourism for Nepal is India. According to the most recent statistics, between 18 and 20% of Indian tourists visit Nepal. In 2013, 23.2 percent of Indian tourists visited Nepal, which is the highest percentage ever noted. Other major countries for Nepal (2.9 percent) are India (17.1%), China (11.1%), Sri Lanka (4.8%), the United States (8.4%), the United Kingdom (5.4%), Australia (3.55%), Thailand (4.2%), Myanmar (3.3%), Bangladesh (3.09%), Germany (3.2%), South Korea (3.6%), and Japan.

4.2.4 CONTRIBUTION OF TOURISM TO NATIONAL ECONOMY

The tourist industry has expanded steadily and expanded its diversity over the past few decades, making it one of the fastest-growing industries on the globe. With millions of direct entrance points into the workforce, particularly for young people and women, and a variety of investment prospects for young entrepreneurial talent, the commercial volume of tourism now is equal to or even exceeds that of oil exports, food items, or vehicles. At the same time, tourism has grown to be one of the largest domestic trade sectors and one of the primary sources of revenue for many developing nations. They only have a small trade surplus in relation to the rest of the globe in the service sector.

One of the engines of Nepal's national economy is the tourist industry. Despite its promising future, it has been in a growth phase for a while and barely contributes 2% of the country's GDP. 42,700 direct jobs and 945,000 indirect jobs have been created by this industry (WTTC). The tourist industry is one of the major contributors to FEE, a metric of foreign exchange earnings, as seen in table 4.5.

Table 4.5 Foreign Exchange Earnings from Tourism, 2000/01–2016/17

Fiscal Year	Total foreign exchange earnings from tourism (Rs. in million)	As percent of Total value of Merchandise Export	As percent of total value of export of goods and non-factor services	As percent of total foreign exchange earnings	As percent of GDP
2000/01	11,717.00	16.8	11.8	5.8	2.7
2001/02	8,654.30	14.9	10.6	4.8	1.9
2002/03	11,747.70	23.1	15.2	6.1	2.4
2003/04	18,147.40	32.9	20.3	8.2	3.4
2004/05	10,464.00	17.5	12.2	4.7	1.8
2005/06	9,556.00	15.5	10.9	3.6	1.5
2006/07	10,125.00	16.5	10.8	3.8	1.4
2007/08	18,653.00	30.1	17.9	5.6	2.3
2008/09	27,960.00	40	22.8	6.5	2.8
2009/10	28,139.00	44.5	24.6	6	2.4
2010/11	24,611.00	35.8	20.2	4.9	1.8
2011/12	30,703.80	37.7	20	4.5	1.8
2012/13	34,210.60	39.8	18.9	4.5	2
2013/14	46,374.90	45.9	20.5	4.7	2.4
2014/15	53,428.80	54.4	21.6	4.9	2.5
2015/16	41,765.40	55.8	19.6	3.7	1.9
2016/17	58,526.90	71.3	24.3	4.5	2.3
2017/18	68,521.70	71.14	22.76	4.19	2.4
2018/19	75,374.10	76.76	23.26	4.1	2.3

Source: Nepal Tourism Statistics, 2020, MOCTCA

One of the key sectors in Nepal's national economy that drives growth is the tourism industry. Despite its promising future, it has long been in a growth phase and barely makes up 2% of the country's GDP. This industry has supported 945,000 indirect jobs in addition to 42,700 direct jobs (WTTC). The tourist industry is one of the major contributors to FEE, a metric of foreign exchange earnings, as seen in Table 4.5.

4.3 SUMMARY OF DESCRIPTIVE STATISTIC

Brief descriptive coefficients, known as descriptive statistics, are used to sum up a specific data set, which may be a sample of a population or a representation of the complete population. Measurements of central tendency and measures of variability make up descriptive statistics (spread). The mean, median, and mode are measurements of central tendency, whereas the standard deviation, variance, minimum and maximum variables, kurtosis, and skewness are measures of variability. Brief descriptions of the sample and data measurements are provided by descriptive statistics and in describing and understanding the characteristics of a particular data collection. The mean, median, and mode, which are utilized at practically all math and statistics levels, are the most well-known forms of descriptive statistics. By summing together all the data set's numbers and then dividing them by the total number of figures, the mean or average can be derived. The properties of a data collection are enumerated or described using descriptive statistics. Measurements of central tendency and measures of variability make up the two fundamental groups of measures in descriptive statistics (or spread). The center of a data collection is described by measures of central tendency. Data dispersion within a collection is described by measures of variability or spread.

Table 4. 6 Descriptive Statistics of the Study

	TA	CPIN	NTRIN	ND	TB	FDI
Mean	858,832.67	150.87	41.67	339.11	217,667.28	9,142.84
Standard Error	70,708.70	9.2	12.52	6.24	2,650.76	1,581.45
Median	797,616.00	152.39	35	338	214,486.00	9,081.90

Standard Deviation	212,126.10	27.61	37.57	18.72	7,952.29	4,744.36
Kurtosis	-0.1	-1.32	0.13	2.46	1.16	-0.65
Skewness	0.57	-0.18	1.05	1.22	1.21	0.54
Range	658,221.00	79.47	107	65	25,845.50	14,310.00
Minimum	538,970.00	109.23	6	315	208,228.50	3,194.60
Maximum	1,197,191.00	188.7	113	380	234,074.00	17,504.60
Sum	7,729,494.00	1,357.87	375	3,052.00	1,959,005.50	82,285.60
Count	9	9	9	9	9	9
Confidence Level (95.0%)	163,054.55	21.22	28.88	14.39	6,112.67	3,646.84

Table 4.6 disputes the descriptive statistics of the study. The average tourist arrival was 858,832.67 people during the study period. It's the sum of all observations divided by the number of observations, has a standard error score of 70708, got a median of 797,616.00. The median shows the splits of the study period data in half. Half the values fall above the median while half are below it. It's best for skewed distributions. For symmetric distributions, the mean and median will be very close. That's a good sign that the heights follow a symmetric distribution, making the mean a good choice. Here, the TA, CPIN, and FDI have negative kurtosis, a distribution with a negative kurtosis value that indicates that the distribution has lighter tails than the normal distribution. That mean, that data that follow a beta distribution with first and second shape parameters equal to 2 have a negative kurtosis value. Similarly, the CPIN has negative skewness. In statistics, a negatively skewed (also known as left-skewed) distribution is a type of distribution in which more values are concentrated on the right side (tail) of the distribution graph while the left tail of the distribution graph is longer. And a positively skewed (or right-skewed) distribution is a type of

distribution in which most values are clustered around the left tail of the distribution while the right tail of the distribution is longer. The positively skewed distribution is the direct opposite of the negatively skewed distribution. Here, except for the CPIN, all other variables have a positive skewed. The TA, CPIN, NTRIN, ND, TB, and FDA have 163,054.55, 21.22, 28.88, 14.39, 6,112.67, and 3,646.84. The confidence level indicates the probability, with which the estimation of the location of a statistical parameter (i.e. an arithmetic mean) in a sample survey is also true for the population.

4.4 REGRESSION ANALYSIS

Logistic regression was applied in this study. Logistic regression is the appropriate regression analysis to conduct when the dependent variable is dichotomous (binary). Like all regression analyses, logistic regression is a predictive analysis. Logistic regression is used to describe data and to explain the relationship between one dependent binary variable and one or more nominal, ordinal, interval, or ratio-level independent variables.

Table 4. 7 Regression Analysis of the Study

coffecients	Estimate	Std. Err	t value	Pr(> t)
(intercept)	-60.426	13.622	-4.436	0.2129*
CPI of Nepal(CPIN)	-0.4397	0.1784	-2.465	0.09044*
Number of terrorism related incident of Nepal(NTRIN)	-0.0564	0.026	-2.171	0.1183
Government investment in tourism industry	0.6617	1.1162	-3.278	0.04649**

(TB)				
FDI in Nepal	0.1447	0.0477	5.928	0.00959***
Total number of Natural Disasters (ND)	-1.0612	0.3237	3.036	0.05606*

Table 4.7 discusses the logistic regression analysis of the study. The estimated coefficient values for the TA, CPIN, NTRIN, TB, FDI, and ND are (60.4260), (0.4397), (0.0564), 0.6617, 0.1447, and (1.0612), respectively. Log odds ratios are used as the logistic regression's coefficients. Positive odds ratio numbers indicate that the test group's chances are higher than those of the reference group, while negative odds ratio values indicate that the odds ratio is less than 1. Here, the estimated coefficient value is negative for the intercept, CPIN, NTRIN, and ND. Positive coefficients show that the event is more likely to occur at the reference level than at that level of the predictor. The anticipated change in the odds' natural log when moving from the reference level to the coefficient level is known as the coefficient. Similar to the ND, the standard error values for the TA, CPIN, NTRIN, TB, FDI, and ND are 13.6220, 0.1784, 0.0260, 1.1162, 0.0477, and 0.3237, respectively. The logistic regression coefficient's standard error serves as a gauge of its uncertainty. Calculating the p-value and confidence interval for the relevant coefficient using it is helpful. According to their respective "t" values, the TA, CPIN, NTRIN, TB, FDI, and ND are (4.4360), (2.4650), (2.1710), (3.2780), 5.9280, and 3.0360. The parameter estimate (also known as the coefficient) divided by its standard error yields the t-value. The P-Value column indicates the importance of this statistic based on the T distribution, and the effects with the fewest p-values are the most significant. In this instance, the CPIN, NTRIN, and TB all exhibit

negative t-values, which are calculated by dividing the difference into groups by the standard error of the difference in groups. The significance of the difference between groups is unaffected by a negative t-value, which indicates a reversal in the directionality of the impact. Similar to the ND, the Pr (>t) values for the TA, CPIN, NTRIN, TB, FDI, and AND are 0.2129*, 0.09044*, 0.1183, 0.04649**, 0.00959***, and 0.05606* correspondingly. The likelihood of witnessing any value equal to or greater than it is represented by the Pr (>t) found in the model output. A low p-value suggests that it is improbable that the predictor (speed) and responder (dist) variables will be related by coincidence. The above table displays the findings of regression analysis using the dependent variable, tourist arrivals, and the independent variables, Nepal's CPI, the number of terrorism-related incidents, government spending on the tourism sector, foreign direct investment in Nepal, and the total number of natural disasters.

The corrected R-Squared value is 0.9659, which indicates that the input variables account for 96.59 percent of the variance in the output variables. With a p-value of 0.004848, the outcome shows that this model is suitable. The null hypothesis is to be rejected if the P-value is less than the threshold for significance (0.05). Tourist arrivals increased by 0.661735 percent and 0.14465 percent, respectively, in accordance with the results of the regression analysis, which showed that government investment in the tourism industry and foreign direct investment have a positively significant adverse effect on inflation with Pr-value 0.04649* and 0.0095**. Tourist arrivals declined by 0.43972 percent and 1.06115

percent, respectively, according to the variables CPI of Nepal and Total Number of Natural Disasters, which have negative relationships with p-values of 0.09044 and 0.05606 and are significant at the 0.01 level. Last but not least, the Pr-value for the Number of Terrorism-Related Incidents in Nepal (NTRIN) is 0.11831, which indicates that a 1% rise in NTRIN results in a 0.05641% decline in visitor arrivals.

4.5 RESULT AND DISCUSSION

Despite exhibiting a consistent trend in the years 1991, 1992, 1994, and 1995, the trajectory of tourist arrivals in Nepal has also demonstrated comparatively static and erratic patterns. For instance, in 1965, the number of tourists decreased by 1.5 percent as a result of the conflict between Pakistan and India. Due to the democratic movement in Nepal and the oil crisis, which caused a fall in global tourism, there has been a relative stagnancy during the years 1978–1982. Due to a conflict over transit and commerce between India and Nepal, tourist arrivals fell in 1989. In 1993, the number of tourists went down because of many things, such as lower visa fees, fewer airplane seats, plane accidents with THAI and PIA, more pollution in Kathmandu and news around the world, less international advertising, damage from floods and landslides, and many strikes.

There are just two ways to go to Nepal: by air or by land. There are no other options. According to historical statistics, between 75 and 85 percent of tourists arrive in Nepal by plane, with the remaining 15 to 25

percent arriving by land, and they stay there for an average of 7.92 to 13.4 days. Males have always traveled more frequently than females because of things like paternal culture, a lack of public knowledge, women's physical attributes, and so on. But because more people know about it now, the trend has changed, and the number of men has stayed about the same.

A person must estimate their costs and gauge the study's main focus before traveling to any country. If both of them please the visitors, they intend to go, but obtaining a visa is a prerequisite in order to do so. Due to the lack of a visa system between the two nations, more Indian tourists visit Nepal than visitors from other significant nations. One of the engines of Nepal's national economy is the tourist industry. Despite its promising future, it has been in a growth phase for a while and barely contributes 2% of the country's GDP.

The estimated coefficient value is negative for the intercept, CPIN, NTRIN, and ND. Positive coefficients show that the event is more likely to occur at the reference level than at the level of the predictor. The anticipated change in the odds' natural log when moving from the reference level to the coefficient level is known as the coefficient. According to their respective "t" values, the TA, CPIN, NTRIN, TB, FDI, and AND are (4.4360), (2.4650), (2.1710), (3.2780), 5.9280, and 3.0360. The parameter estimate (also known as the coefficient) divided by its standard error yields the t-value.

The significance of the difference between groups is unaffected by a negative t-value, which indicates a reversal in the directionality of the impact. A low p-value suggests that it is improbable that the predictor (speed) and responder (dist) variables will be related by coincidence. The results of a regression analysis using tourist arrivals as the dependent variable and Nepal's CPI, the number of terrorism-related incidents, government spending on the tourism sector, foreign direct investment in Nepal, and the total number of natural disasters as the independent variables are shown in the table above.

The corrected R^2 value is 0.9659, which indicates that the input variables account for 96.59 percent of the variance in the output variables. With a p-value of 0.004848, the outcome shows that this model is suitable. The null hypothesis is rejected if the P-value is less than the threshold for significance (0.05). According to the regression analysis, government investment in the tourism industry and foreign direct investment have a positively significant adverse effect on inflation, with a Pr-value of 0.04649* and 0.0095**, respectively. Tourist arrivals fell by 0.43972 percent and 1.06115 percent, respectively, based on the variables' CPI of Nepal and Total Number of Natural Disasters, Tourist which have negative relationships with p-values of 0.09044 and 0.05606, respectively, and are significant at the 0.01 level. Last but not least, the Pr-value for the Number of Terrorism-Related Incidents in Nepal (NTRIN) is 0.11831, which indicates that a 1% rise in NTRIN results in a 0.0541% decline in visitor arrivals.

CHAPTER 5 : FINDINGS, IMPLICATIONS CONCLUSION AND LIMITATIONS

5.1 FINDINGS

With its natural riches and cultural, religious, and archaeological heritage, Nepal is renowned as a major tourist destination on the globe. For a very long time, Nepal has relied heavily on tourism as a source of revenue for foreign cash. Aside from this, it has produced several additional direct and indirect advantages for the nation, including major job prospects. As a result, the Nepalese economy has benefited greatly from tourism. Despite having immense tourism potential, it has not been adequately used because of inadequate infrastructure, restricted air access, and ineffective marketing strategies that have decreased the number of tourists visiting the nation.

Using just secondary data, the research tried to obtain a variety of empirical findings. The necessary information is also gathered from a number of sources, including the Quarterly Economic Bulletin, Ministry of Cultural Tourism and Civil Aviation Fund (MOCTCA), Central Bureau of Statistics (CBS), Economic Survey, and the Minister of Finance (MOF). In addition to those sources, data and information were also gathered from published and unpublished documents from various research institutes as well as from numerous newspapers. Different methods and techniques have been employed to examine the data. The use of basic mathematical

methods and instruments has been made. The data has been analyzed using basic mathematical techniques, including percentage, ratio, average, and regression. To illustrate the data, straightforward tools like tables, bar diagrams, pie charts, line graphs, and trend lines were used. The pattern and structure of tourist arrivals in Nepal have been shown in his research using data from 1990 to 2017.

The number of tourists visiting Nepal is on the rise, rising by 19,306 over the course of a year. Tourist arrival numbers increased from 254,885 in 1990 to 463,684 in 2000, which is up 208,799; 602,867 in 2010, which is up 139,183; and 940,218 in 2017, which is also below the government's target of attracting 2 million visitors by 2020. According to the average gender distribution of visitors, male visitors make up 55% of all arrivals, while female visitors make up the remaining 45%. The average duration of stay for tourists was just 12 days, with the smallest stay being 7.92 days in 2002 and the longest day being 13.51 days in 2004. The age distribution of tourists arriving reveals that the 31 The 45 age group consistently has the biggest proportion, followed by the age groups 16 The 30, 46 The 60, 61 and above, and 0 The 15 years old. The major tourist seasons in Nepal are from March through April during the spring season and from October through November during the fall season. The majority of visitors to Nepal come for vacations or enjoyment, followed by trees and climbing, as well as for business, religious purposes, and other reasons. The breakdown of visitor arrivals by mode reveals that between 75 and 80 percent arrive by air, with the remaining 20 to 25 percent arriving via ground transportation. The

majority of tourists visiting Nepal are from India, with significant numbers also arriving from China, the United Kingdom, the United States, Sri Lanka, Japan, Germany, and France. The overall foreign currency revenue from tourism in the fiscal year 2000/01 was Rs. 11,717 million. In fiscal year 2017–18, it came to 33,753 million, which is less than the fiscal year's earnings.

Nepal's tourism industry is one of the engines of its economy, but it barely contributes 2% of the country's GDP. Due to the lack of a visa system, more Indian tourists visit Nepal than visitors from other significant nations. A person must estimate their costs and gauge the study's main focus before traveling to any country. If both of them please the visitors, they intend to go, but obtaining a visa is a prerequisite. A low p-value suggests that it is improbable that the predictor (speed) and responder (dist) variables will be related by coincidence.

The null hypothesis is to be rejected if the P-value is less than the threshold for significance (0.05). According to the regression analysis, government investment in the tourism industry and foreign direct investment have a positively significant adverse effect on inflation. Tourist arrivals fell by 0.43972 percent and 1.06115 percent, based on the variables' CPI of Nepal and Total Number of Natural Disasters.

5.2 IMPLICATIONS

Based On this research, the following recommendations are made for the

sustained expansion of the Nepali tourist sector. The main factors in this research that affected how many foreign tourists arrived in Nepal between 1990 and 2019 were. The following recommendation is made for linked sectors whose development is required to boost tourism in Nepal.

When such situations arise, the government and the commercial sector should work together to advertise tourism in order to promote destinations and goods and to combat negative or unfavorable publicity overseas. Numerous times, this kind of exposure has happened. To complete the task, one sector shouldn't wait or look to another. Both of these parties need to work together to continuously promote Nepal.

In general, visitors in Nepal have concentrated on certain locations, such as Pokhara, Chitwan, Khumbu (Everest), the Annapurna region, and Kathmandu. Other prospective destinations include Jumla, Khaptad, Dolpa, Dhorpatan, Illam, Arun, and Barun Valley of Palpa, among others. Such fresh developments must be made in various regions of the nation. In the same way, the number of tourists from other countries should be limited to what the area can handle.

Nepal should come up with strategies and programs to meet the needs of these different types of visitors, taking into account their age, gender, nationality, etc., so that they are more satisfied and more people come to the country. This will make them happier and bring in more tourists.

International international travel trade magazines, journals, and other

media in major markets where people start their trips should be used to spread the word around the world.

The only international airport in Nepal at the moment is Tribhuvan International Airport (TIA). Because large planes cannot land here, Nepal does not seem to have become more financially appealing to foreign airlines. Additionally, it seems that the growth of TIA has limited viability. The TIA's current services and amenities are likewise scarce. The Terai area should be created as a substitute international airport in a location that will be both technically and economically sound and feasible from a commercial viewpoint. Because of this, international travel is likely to get better, and Nepal is likely to become a popular place for tourists.

But hotels, lodges, restaurants, tourist guides, and travel agencies must be set up in enough numbers for the tourism industry to grow.

A peaceful atmosphere and security must be provided in the nation, which were violated during the era of political instability, and the responsible authorities must make every effort to assist in achieving these goals. The government should ensure that people are secure by increasing the number of security personnel in tourist locations and using accessible hiking routes.

5.3 CONCLUSION

The trajectory of tourist arrivals in Nepal has shown comparatively static

and erratic patterns. For instance, in 1965, the number of tourists decreased by 1.5 percent as a result of the conflict between Pakistan and India. Due to the democratic movement in Nepal and the oil crisis, there has been a relative stagnancy during the years 1978–1982. Nepal's tourism industry is one of the engines of its national economy, but it barely contributes 2% of the country's GDP. The majority of tourists arrive in Nepal by plane, with the remaining 15 to 25% arriving by land. Males have always traveled more frequently than females because of things like paternal culture and a lack of public knowledge. But because more people know about it now, the trend has changed, and the number of men has stayed about the same. After 2005, the tourist arrival rate finally improved properly. Nepal seems to have lost some tourists because of natural disasters and fighting inside the country at different times. At the same time, Nepal's political instability can be seen as a major obstacle to foreign tourism arrivals. The plan to run two million tourists by operating Visit Nepal 2020 was also limited to the plan. The pandemic coronavirus seems to have had a big effect on Nepal's Visit Nepal program all over the world.

The results of a regression analysis using tourist arrivals as the dependent variable and Nepal's CPI, the number of terrorism-related incidents, government spending on the tourism sector, foreign direct investment in Nepal, and the total number of natural disasters as the independent variables are shown in the table above.

The corrected R²-squared value is 0.9659, which indicates that the input variables account for 96.59 percent of the variance in the output

variables. With a p-value of 0.004848, the outcome shows that this model is suitable. The null hypothesis is rejected if the P-value is less than the threshold for significance (0.05).

According to the regression analysis, both government investment in the tourism industry and foreign direct investment have a positive and significant negative effect on inflation, with a Pr-value of 0.04649* and 0.0095**, respectively.

Tourist arrivals fell by 0.43972 percent and 1.06115 percent, respectively, based on the variables' CPI of Nepal and Total Number of Natural Disasters, Tourist which have negative relationships with p-values of 0.09044 and 0.05606, respectively, and are significant at the 0.01 level.

Last but not least, the Pr-value for the Number of Terrorism Related Incidents in Nepal (NTRIN) is 0.11831, which indicates that a 1% rise in NTRIN results in a 0.0541% decline in visitor arrivals.

5.4 LIMITATION

The major limitations of the study are that the study is based on secondary data only. Due to time and budget constraints, the study may not be comprehensive. This study is especially focused on international tourist arrivals in Nepal. Only specific tools are used for the analysis of data.

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국 문 초 록

- 네팔에 외국인 관광객의 도착을 결정하는 요소-

한 성 대 학 교 대 학 원
국 제 무 역 경 제 학 과
국 제 무 역 시 장 전 공
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키워드: [네팔, CPI, FDI, 관광도착, 네팔에 외국인 관광객의 입국을 결정짓는 요인, 외국인 관광객, 인바운드 관광]