# An Enquiry into the Issues of Sustainability of Economic Impact of International Tourism in Nepal

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## ABSTRACT

*The tourism sector of Nepal has seen a sharp rise in the number of tourist arrivals in the last one decade; however, its realised economic benefit has not grown at the same pace. This paper, therefore, has delved into this concern using the Keynesian multiplier and MGM2 approach to assess the economic impact of tourism in Nepal. The analysis shows that the fall in both per capita tourist spending and tourism multiplier has jointly cancelled out the monetary benefits originating from the increased number of tourist arrivals. Moreover, the proportion of budget travellers is increasing in the visitors to Nepal, and the demand of increased tourists is catered by imported goods and services. This occurrence in the tourism sector of Nepal has constrained its forward linkages with other sectors of the economy. Therefore, the author recommends that the policymakers should prioritise tourism targets in dollar values and develop differentiated campaigns to attract the high and low-end tourists separately in different months of the year. They should also incentivise and prioritise local productions to strengthen the economic ties between tourism and other sectors of the economy.*

**Keywords:** Economic impact, mass tourism, over tourism, sustainability, tourism multiplier

## 1. INTRODUCTION

Tourism is considered a major contributor to the economy of Nepal, a small landlocked country situated between India and China, in terms of jobs creation and foreign exchange earnings as such its promotion has been emphasised in several strategic and periodic plans of Nepal (Central Bureau of Statistics, 2021a). Before Covid-19 pandemic, the tourism sector in Nepal contributed 7.8 percent to total employment (World Travel and Tourism Council, 2022), 4.6 percent to total foreign exchange earnings (Nepal Rastra Bank, 2022), and 1.5 percent to gross domestic product (Ministry of Culture, Tourism and Civil Aviation, 2020). These numbers appear from direct estimates of tourism sector and do not incorporate indirect and induced impacts that the tourism sector creates

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on other sectors. According to Weaver (2006), the collective size of such indirect and induced impacts might be as much as twice of the value of direct impacts. Nevertheless, the tourism sector also involves indirect costs in the form of negative externalities borne by the individuals in the community. Diskin (2016) has well portrayed the negative consequences of unplanned number of tourist arrivals on the natural resources and the social lives of people in Iceland. In terms of economic benefit, though the tourism sector in Iceland has enhanced the export-receipts and employment, its contribution to imports is greater than the exports. Livadeas & Smith (2018) have also reported similar externalities of large numbers of tourist arrivals in Thailand and the Philippines. So is the outcome in Croatia (Holzner, 2005), Balearics and the Canary Islands (Capo et al., 2007), and Macao (Sheng & Tsui, 2009). Therefore, a comprehensive approach is essential to better understand the contribution of the increased number of tourist arrivals to a destination, rather than simply looking at the number of tourist arrivals.

The economic impact of tourism is such an approach that captures the direct, indirect and induced impacts of tourist arrivals to a destination or region in monetary value (Chang, 2001). It traces the flows of spending associated with tourism activities in a region to find the cumulative economic changes in the sales, tax revenues, incomes, and jobs (Stynes & Sun, 2003). Unfortunately, none of the tourism agencies in Nepal has reported any estimates of the economic impact of tourism as the sum of direct, indirect and induced impacts in Nepal, except the estimates of tourism multiplier in 1989 by Nepal Rastra Bank (1989) and in 2010 by Paudyal (2012). Moreover, the policymakers of Nepal have consistently emphasised attracting an increased number of international tourists (Central Bureau of Statistics, 2021a) with no economic impact assessment to find the optimum number of tourist arrivals. Such an approach to setting the tourism targets is likely to lead the tourism destinations to face consequences of over tourism (Taiminen, 2018).

Therefore, understanding the difference between the outcome of maximising the number of international tourist arrivals and maximising the economic benefit from them is essential. A direct link between the number of tourist arrivals and the economic benefit cannot be granted if acted upon without appropriate strategy and planning (Diskin, 2016). Hence, the objective of this paper is to examine the trend pattern of the economic impact of international tourist arrivals in Nepal, and thereby, to identify any issues or opportunities to capitalise on the observed pattern. To focus on this aspect of tourism, this paper excludes the assessment of negative externalities of international tourist arrivals on the natural, cultural and social resources and leaves the task for the future research, which may be considered as limitation of this paper. The rest of the paper is organised into six sections. Section (II) presents a brief pre-pandemic tourism profile of Nepal, which is followed by a literature review on the approaches available for assessing the economic impact of tourism, and previous works in the context of Nepal in section (III). Section (IV) summarises the methodology adopted in this study. Section (V) presents the findings of data analysis, which is followed by a discussion on a couple of issues in section (VI). Section (VII) concludes the paper.

## 2. BRIEF TOURISM PROFILE OF NEPAL

Nepal remained isolated from the rest of the world for a considerable period of time until the democracy was instituted in 1951 and its border was opened for foreign visitors for mountain tourism (Ministry of Culture, Tourism and Civil Aviation, 2009). In the 1960s and 1970s, the number of visitors to Nepal increased significantly because of the opening of Tribhuvan

International Airport and the hippy trail. In the 1980s, Nepal began to promote itself as a destination for mountaineering, trekking, and white-water rafting which became a successful strategy in attracting foreign visitors and setting up Nepal as an adventure destination (Ministry of Culture, Tourism and Civil Aviation, 2016). Famous trekking trails such as Annapurna Circuit, Everest Base Camp trek, and Langtang Valley trek attract thousands of visitors every year to experience the natural beauty of Himalayas (Ministry of Culture, Tourism and Civil Aviation, 2020). The UNESCO cultural heritage sites in Kathmandu valley and Lumbini, the birthplace of Lord Buddha, also attract thousands of visitors each year (Ministry of Finance, 2019). Chitwan National Park, an UNESCO natural heritage site, is the home for exotic wildlife including Bengal tigers, one-horn rhinos, and elephants that offer an exciting jungle safari, and elephant ride (Department of National Parks and Wildlife Conservation, 2019). Rivers such as Kali Gandaki, Trishuli, and Sunkoshi offer exciting opportunities for white-water rafting, while the vicinity of Pokhara and Kathmandu offer exciting paragliding and bungee jumping. However, the inadequate level of infrastructures and lack of preparedness in transportation, information and communication technology connectivity, tourist safety, and human resource development led Nepal to position 102$^{nd}$ out of 140 countries in the Travel and Tourism Competitiveness Report 2019 (World Economic Forum, 2019). Despite that, 2019 was a landmark year in tourism history of Nepal in terms of receiving the highest number of tourist footfalls (about 1.2 million), out of which, over 35 percent visitors came from the neighbouring countries India and China only. The United States and the United Kingdom were the 3rd and 4th largest source markets with 7.8 and 5.1 percent of visitors, respectively (Ministry of Culture, Tourism and Civil Aviation, 2020). The Asia-pacific countries like Sri Lanka, Thailand, Australia, Myanmar, Japan, South Korea, Bangladesh, and Malaysia, and the European countries like Germany, France, Spain, Italy, and the Netherlands were other key source markets for tourism in Nepal, all ranked in the top twenty source markets.

Overall, the international tourist arrivals to Nepal have shown an inverse relationship with the regional distances. South Asian countries contribute the highest number of visitors to Nepal (28.09 percent) followed by East Asia (27.60 percent), Europe (15.08 percent), and North America (9.22 percent). Among them, 65 percent international tourists have preferred Nepal for vacation, 16.5 percent for trekking and mountaineering, while 14.4 percent for pilgrimage (Ministry of Culture, Tourism and Civil Aviation, 2020). The underlying purpose for the preference of Nepal as a tourist destination also varies across nationalities. The majority Indian visitors prefer Nepal for its natural beauty and cultural heritage sites, particularly Lumbini and Pashupatinath while the majority Chinese visitors prefer Nepal for its historical and cultural attractions. The majority US, UK and Australian visitors are interested in the adventure while the majority Sri Lankan, Myanmar and Thai visitors are interested in the cultural tourism and spiritual pursuits. In 2019, Nepal earned a total of USD 524 million foreign exchange from international tourism that forms 4.6 percent in total foreign exchange earnings, and about 56 percent in total earnings from merchandised exports (Nepal Rastra Bank, 2022). Nevertheless, this value was 22 percent less in comparison to the value of USD 668 million earnings from international tourism in 2018. The average length of stay in Nepal has hovered between 12 and 13 days for a prolonged period of time and remained 12.7 days in 2019 (Ministry of Culture, Tourism and Civil Aviation, 2020).

# 3. LITERATURE REVIEW

## 3.1 Approaches to Estimate the Economic Impact of Tourism

As stated by Stynes and Sun (2003), the economic impact of tourism analysis examines the cumulative changes in the sales, tax revenues, incomes, and jobs in a destination or region resulting from tourism activities. At a national level, this approach explores similar changes in the contribution of tourism sector to GDP, employment, labour earnings, and government tax revenue (Frechtling & Smeral, 2010). While referring to the economic impact of tourism, one should take into account for two types of effects resulting from tourism activities in a region, that are, the direct effects and secondary (indirect plus induced) effects of tourism. The direct effects measure the direct spending of tourists such as payments to hotels, restaurants, transportation, etc. The secondary effects measure the indirect effects generated from the payments by the direct recipients to the suppliers of the associated ingredients or services such as food and beverage suppliers, and the induced effects generated from the spending of households which receive payments from the direct and indirect recipients in exchange for the supply of primary ingredients (e.g., farmers) or supply of labour (e.g., employees). There are five major approaches to measure these two effects while estimating the economic impact of tourism in a region. They are the input-output analysis (Archer & Owen, 1971), computable general equilibrium model (Adams & Parmenter, 1995; Zhou et al., 1997), tourism satellite account (Blake et al., 2001; Kuhbach & Herauf, 2005), Keynesian multiplier approach (Eriksen & Ahmt, 1999; Vaughan et al., 2000) and money generation model (Stynes et al., 2000). Each approach varies from others in terms of their underlying assumptions, structural framework, data requirements, or the nature of complexity. For instance, the input-output analysis remained a popular approach to estimating the economic impact of tourism for a considerable period of time. However, it was severely criticised for its restrictive assumptions such as identical production technology and products across industry, free flow of production resources to tourism-related industries, and firmly grounded in the national system of accounts (Frechtling & Smeral, 2010). Therefore, the computable general equilibrium model was developed to overcome this limitation of the input-output analysis. However, the computable general equilibrium model is also criticised for its intricateness and expensiveness (Dwyer et al., 2004). The tourism satellite account, which is a popular approach for a couple of international institutions, is also criticised for being accounting in nature whose recording is based on observations or counts of economic variables (Frechtling & Smeral, 2010). Kumar and Hussain (2014) recommend the computable general equilibrium model and money generation model to be appropriate for estimating the economic impact of tourism. They identify that these two models are comprehensively used in the US, UK, Australia and Canada in order to estimate the economic impact of tourism.

## 3.2 Previous Works in the Context of Nepal

There are plenty of research works, for example, Kharel and Kharel (2021), Rauniyar (2019), Rijal (2018), Gautam (2014), Paudyal (2012), etc. that have assessed and confirmed a positive relationship of tourism sector with the economic growth of Nepal. However, these works are based on the published timeseries data of national accounts that account the direct effects of tourism activities only. Moreover, the objectives of those works are different from assessing the economic impact of growing tourists' footfalls on the overall economic benefits to Nepal. Outside Nepal, there are numerous research works published in assessing the economic impact of tourism at a national

level, for example, Figini and Patuelli (2021) in the European Union, Kronenberg and Fuchs (2021) in Sweden, Bozdaglar and Emeagwali (2016) in Cyprus, Flecha et al. (2010) in Brazil, Surugiu (2009) in Romania, Saayman et al. (2000) in South Africa, and so on. However, such a comprehensive estimate for the tourism sector has not been undertaken so far in the context of Nepal, which provided a strong motivation to the researcher to undertake this study. Since this approach takes into account for both the direct and the secondary effects of tourism activities, the contribution of tourism sector to the national accounts is expected to be higher than the estimates based on direct effects only.

## 4. METHODOLOGY

### 4.1. Selection of Assessment Approach

This paper uses the Keynesian multiplier approach to measure the secondary effects of tourism activities in Nepal, and the update money generation model, also referred as MGM2 model, to estimate the economic impact of tourism in Nepal. The MGM2 model is considered the most appropriate approach for this paper because it appropriately fits into the nature of tourist statistics available in the context of Nepal, where the tourist statistics have existed in the basic forms such as tourist arrivals, length of stay, purposes of visits, foreign exchanges, etc. Moreover, the selection of this model also aligns with the recommendation of Kumar and Hussain (2014).

### 4.2 Study Period

This paper covers the period from 2010 to 2019 keeping the following two points into considerations. Firstly, the tourism sector in Nepal remained vulnerable till 2006 due to political turmoil and armed conflict (Upadhayaya et al., 2011), and a consistency in the number of international tourist arrivals to Nepal was seen only after 2009. Secondly, the years 2020 and 2021 were affected by the restrictions imposed by the Government of Nepal in response to Covid-19 pandemic control. Therefore, the period in between is considered appropriate for undertaking the assessment of the economic impact of international tourism in Nepal.

### 4.3 Sources of Data

The data on international tourism have been extracted from the published reports of the Ministry of Culture, Tourism, and Civil Aviation, Government of Nepal (Ministry of Culture, Tourism and Civil Aviation, 2016 & 2020), while the national accounts data have been extracted from the published reports of Central Bureau of Statistics, Nepal (2013 & 2021b). The data on foreign exchange earnings have been extracted from the published reports of Nepal Rastra Bank (2022).

### 4.4 Models

### 4.4.1 Keynesian Multiplier Model

The Keynesian four-sector macroeconomic model can be presented as below (Paudyal, 2012):

*Eq. (1)* $\quad Y = C + I + G + X - M$
$\qquad$ *where,*
*Eq. (2)* $C = c_0 + c_1 * (Y - T)$
*Eq. (3)* $T = t_0 + t_1 * Y$
*Eq. (4)* $I = i_0 + i_1 * r + i_{2*} Y(-1)$
*Eq. (5)* $M = m_0 + m_1 * Y$

where, Y stands for gross domestic product, C stands for consumption function, I for investment function, G for government expenditure, X for gross exports of goods and services, M for gross imports of goods and services, T for taxes less subsidies, and r for interest rate, proxied by 91-days treasury bill rates. Other symbols used in equations (1) through (5) are the coefficient parameters.

To develop an equation for tourism multiplier, gross exports can be broken down into two components: tourist revenue (Tr) and gross exports excluding tourist revenue ($\underline{XX}$) such that X = $\underline{XX}$+Tr. Therefore, the equilibrium equation (1) will take the following form:

*Eq. (6)* $\qquad Y = C + I + G + (\underline{XX}+Tr) - M$

When equations (2) through (5) are incorporated into the equilibrium equation (6), the tourism multiplier that measures the change in the value of Y as a result of the change in the value of Tr is obtained as below:

*Eq. (7)* $\qquad TM = \dfrac{1}{1-c_1*(1-t_1)+m_1} = \dfrac{1}{1-MPC*(1-MPT)+MPM}$

where 'MPC' stands for marginal propensity to consume, 'MPT' stands for marginal propensity to tax, and 'MPM' stands for marginal propensity to import. Those marginal propensities are the expected proportionate change in the respective variable when the gross domestic product increases by a unit monetary value. Since the multiplier reflects the economic interdependencies among sectors within an economy, the value of tourism multiplier should be larger if the tourism sector uses domestic resources in catering to the demand of goods and services by tourists. If such demand is met by imported resources, the value of tourism multiplier should be smaller. The empirical values of those marginal propensities have been estimated by employing the three-stage least square (3SLS) approach in the system equations (2) through (5), in which Y(-1), $\underline{XX}$, Tr, G, and r have been treated as the instrument variables. The estimation process was carried out in Eviews (version 10) software.

### 4.4.2 MGM2 Model

The MGM2 model can be expressed as below (Stynes et al., 2000):

*Eq. (8)* $EIoT_t = NTA_t * PCTS_t * TM_t$

where EIoT stands for the economic impact of international tourism, NTA stands for the number of international tourist arrivals, PCTS for the per capita tourist spending, and TM for international tourism multiplier, all for a given year t. In equation (8), the product of number of tourist arrivals and per capita tourist spending on the right-hand side captures the direct effects of international tourism, while the tourism multiplier captures the secondary effects of the same.

## 5. FINDINGS

### 5.1 Tourism Multiplier

The tourism multiplier has shown a decreasing trend during the study period, reaching the highest value of 2.07 in 2012 and falling to 1.67 in 2019, which means that the contribution of tourism sector to Nepal's economy is also decreasing. The direct tourism revenue of USD 1 used to create a gross effect of USD 2.07 in 2012 in Nepal, which has decreased to USD 1.67 in 2019 (Table 1). Thus, the secondary effects of tourism sector have decreased by USD 0.40 (= 1.07 − 0.67)

per dollar in the last one decade, thanks to the increased leakages in the form of imports and taxes. In particular, the tourism multiplier has responded positively with the marginal propensity to consume while negatively with the marginal propensity to import and tax (Table 1). Since these three marginal propensities interact with each other in the equilibrium equation (7), the net effect depends upon their relative sizes. The decreasing trend of tourism multiplier infers that the collective negative effect of marginal propensities to import and tax is stronger than the positive effect of marginal propensity to consume, resulting in the decreasing value of tourism multiplier over time.

**Table 1**

*Estimates of Tourism Multiplier in Nepal, 2010 - 2019*

| Sample period | MPC | MPT | MPM | TM |
|---|---|---|---|---|
| 2000 - 2010 | 0.896 | 0.093 | 0.331 | 1.93 |
| 2000 - 2011 | 0.902 | 0.089 | 0.304 | 2.07 |
| 2000 - 2012 | 0.917 | 0.092 | 0.316 | 2.07 |
| 2000 - 2013 | 0.916 | 0.096 | 0.341 | 1.95 |
| 2000 - 2014 | 0.922 | 0.100 | 0.356 | 1.90 |
| 2000 - 2015 | 0.951 | 0.105 | 0.355 | 1.98 |
| 2000 - 2016 | 0.927 | 0.113 | 0.366 | 1.84 |
| 2000 - 2017 | 0.908 | 0.124 | 0.389 | 1.68 |
| 2000 - 2018 | 0.894 | 0.133 | 0.407 | 1.58 |
| 2000 - 2019 | 0.914 | 0.132 | 0.392 | 1.67 |

MPC = marginal propensity to consume, MPT = marginal propensity to tax, MPM = marginal propensity to import, and TM = tourism multiplier.

Source: Researcher's estimates. Data source: Central Bureau of Statistics (2013 & 2021b) and Nepal Rastra Bank (2022)

## 5.2 The Economic Impact of Tourism

The economic impact of international tourism has increased at the rate of nine percent per annum reaching a value of USD1.2 billion in 2019 from a value of merely USD 590 million in 2010, thanks to the increased number of tourist arrivals at the rate of 10 percent per annum. A sharp increase in the number of tourist arrivals has been seen after 2015; however, the per capita tourist spending, both in terms of per day and total, have dropped by a significant amount during 2015 to 2019, causing the economic impact of international tourism crawl (Table 2). Table 2 also shows that the actual contribution of tourism sector to gross domestic product (3.5 percent) has been undervalued by two percentage points in comparison to the published statistics (1.5 percent, Ministry of Culture, Tourism and Civil Aviation (2020)).

**Table 2**

*Estimates of the Economic Impact of International Tourism in Nepal, 2010 - 2019*

| Year | Tourist arrivals | Length of stay (days) | PCTS per day (USD) | PCTS total* (USD) | TM* | EIoT* (million USD) | | | EIoT/GDP (%) |
|------|------------------|------------------------|---------------------|--------------------|------|-------|--------|-----------|------------------|
| | | | | | | Total | Direct | Secondary | |
| 2010 | 604,867 | 12.7 | 40 | 506 | 1.93 | 590 | 306 | 284 | 3.7 |
| 2011 | 736,215 | 13.1 | 36 | 475 | 2.07 | 725 | 350 | 375 | 3.4 |
| 2012 | 803,092 | 12.2 | 43 | 520 | 2.07 | 865 | 418 | 447 | 4.0 |
| 2013 | 797,616 | 12.6 | 48 | 605 | 1.95 | 940 | 482 | 458 | 4.2 |
| 2014 | 790,118 | 12.4 | 63 | 784 | 1.90 | 1,177 | 619 | 558 | 5.2 |
| 2015 | 538,970 | 13.2 | 69 | 902 | 1.98 | 965 | 486 | 479 | 4.0 |
| 2016 | 753,002 | 13.4 | 52 | 697 | 1.84 | 965 | 525 | 440 | 3.9 |
| 2017 | 940,218 | 12.6 | 54 | 680 | 1.68 | 1,078 | 640 | 438 | 3.7 |
| 2018 | 1,173,072 | 12.4 | 44 | 546 | 1.58 | 1,013 | 640 | 373 | 3.1 |
| 2019 | 1,197,191 | 12.7 | 48 | 610 | 1.67 | 1,219 | 730 | 489 | 3.6 |

PCTS = Per capita tourist spending, USD = US Dollar, TM = tourism multiplier, EIoT = economic impact of tourism

* Researcher's estimates. Data source: Ministry of Culture, Tourism and Civil Aviation (2016 & 2020)

## 6. DISCUSSION

The findings of this paper provide a valuable foundation for assessing the importance of tourism sector in the economy of Nepal and for making informed decisions related to tourism development and promotion. Below are four issues that have constrained the growth of the economic impact of tourism in Nepal and require broader discussions and attentions.

**6.1** *The proportion of budget travellers is increasing.* A considerable variations in per capita tourism spending, a sluggish growth in the economic impact of tourism while there is a rapid growth in tourist arrivals indicate a growing proportion of budget travellers among the visitors to Nepal. Hence, a critical assessment is essential to learn whether this growth in visitors and shift in the composition of visitors are sustainable. In failure to do so, such a rapid increase in tourist arrivals to a small country like Nepal will put pressure on the existing infrastructure, natural resources and cultural heritage sites leading to over tourism in the key destinations. With increasing arrivals, there will be also a need for continuous investment in infrastructure and the quality of services. This may require policies to incentivise the private sector to invest in tourism-related infrastructure and also ensure that the environmental impact of tourism such as waste management, conservation of natural resources, and eco-friendly practices are managed effectively.

**6.2** *The linkage of tourism sector with other sectors of the economy is weakening.* A decreasing trend in Nepal's tourism multiplier indicates that tourism spending is leaking out of the local

economy. In the light of increasing value of marginal propensity to import for Nepal, it is not difficult to infer that the demand for goods and services in the tourism sector is supplied with the imported goods and services. This situation has broader economic implications as it also indicates that the local production activities in Nepal are decreasing and the forward linkages of tourism sector with other sectors of the economy are weakening. This may require attentions of the policymakers to incentivise the local production, support small and medium-sized enterprises, and promote products and services that are unique to Nepal. The industry stakeholders should also consider strategies to enhance the role of local businesses in meeting the demands of the tourism sector and strengthen the economic ties between tourism and other sectors of the economy.

**6.3** *There is a distraction in prioritising the marketing campaigns*. Given the observations that the proportion of budget travellers is increasing, and the tourism services of Nepal is over reliant on imports, the short-term tourism policies of Nepal should focus on promoting the high-value adventure and cultural tourism in the key markets such as the US, UK, Australia, Japan, Canada, and the West European countries to enhance the per capita tourist spending. The visitors from those countries prefer adventures in Nepal and spend more than 70 percent higher than the Indian tourists and over 20 percent higher than others (Ministry of Culture, Tourism and Civil Aviation, 2016). Therefore, this strategy will help capitalising the tourism value during the main season of the year. However, the current marketing campaigns are focused on India, China, Sri Lanka, and Bangladesh to attract a greater number of tourists, rather than greater monetary value from tourism.

**6.4** *There is a mismatch in fixing tourism targets*. To understand this issue, we can refer to the tourism outcomes in year 2018. The policymakers had set a target of attracting 1.14 million visitors in 2018 with a per day per capita spending of USD 67, and average length of stay of 13 days (Ministry of Culture, Tourism and Civil Aviation, 2016). Though the target in terms of number of visitors was achieved, 1.173 million actual visitors, the per day per capita spending remained far below the target, USD 44 only, and the average length of stay also remained below the target, 12.4 days only (Ministry of Culture, Tourism and Civil Aviation, 2020). The economic impact of tourism was also USD 65 million lower than the previous year (Table 2). However, the policymakers commended it as a momentous success and set a higher target of attracting two million visitors in 2020 without undertaking any assessment. Such a large fall in the tourism value went unnoticed. Instead, the target could have been fixed in terms of achieving a certain dollar per capita or total earnings from international tourism and the efforts to diversify tourism destinations and activities could have been aligned accordingly to achieve this target.

## 7. CONCLUSION

The tourism sector of Nepal has seen a sharp rise in the number of international tourist arrivals, especially after 2015. However, the realised value of the economic impact of tourism has not grown at the same pace as tourist arrivals. The data analysis shows that the per capita tourist spending, and tourism multiplier have fallen over years, the collective effect of which has cancelled out the monetary benefit from the increased number of tourists, thereby slowing down the growth of the economic impact of international tourism. Therefore, the per capita tourist spending, and tourism multiplier need to be enhanced to maximise the economic benefits from the increased number of tourist arrivals. A breakdown of the tourism multiplier shows that the consumption of imported

resources has increased significantly in meeting the demand for goods and services by tourists in Nepal, making it an import-based tourism sector. This limits the forward linkages of the tourism sector in creating significant indirect and induced impacts on other sectors. Therefore, the author recommends that the policymakers should prioritise tourism targets in dollar values and develop differentiated campaigns to attract the high and low-end tourists separately in different months of the year. They should also incentivise and prioritise local productions to strengthen the economic ties between tourism and other sectors of the economy. They also need rigorous strategic plans to substitute a substantial part of the imported goods and services currently consumed in the tourism sector. The details of these proposed aspects are left at this moment for the further research on the topic.

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