

Exploring the Relationship Between Tourism Development and Employment Generation in Nepal

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DOI: <https://doi.org/10.3126/jdl.v3i1.73850>

Abstract

This study explores the relationship between tourism development and employment generation in Nepal using time-series data from 2000 to 2019. Key tourism indicators such as international tourist arrivals, tourism receipts, and tourism investments were analyzed using regression models and Granger causality tests. The results reveal a strong positive impact of tourist arrivals and receipts on employment, while tourism investments showed limited significance. The findings emphasize tourism's role in job creation and its spillover effects on the broader economy. Policy recommendations include infrastructure development, skill training, sustainable tourism practices, and targeted investments to maximize tourism's potential for inclusive growth.

Keywords: tourism development, employment generation, Nepal, economic growth, sustainable tourism, policy implications

Introduction

Background and Context

Tourism is a critical driver of economic growth and employment in many developing countries, offering opportunities for income generation, poverty alleviation, and cultural exchange. Nepal, renowned for its natural beauty and rich cultural heritage, has positioned tourism as a cornerstone of its economic strategy. With its diverse landscapes, including eight of the world's ten tallest mountains, Nepal attracts millions of tourists annually, fueling demand for local goods, services, and infrastructure. Despite this, tourism's full potential in contributing to employment generation and economic development remains underexplored, particularly in the context of developing economies like Nepal.

Statement of the Problem

While tourism contributes significantly to Nepal's GDP, the direct relationship between tourism development and employment generation lacks comprehensive analysis. Existing studies primarily focus on broader economic impacts, leaving a gap in understanding how specific tourism activities influence job creation both within the tourism sector and the wider economy. Additionally, challenges such as inadequate infrastructure, policy inefficiencies, and environmental concerns hinder the sustainable growth of the tourism sector and its capacity to generate employment.

Objective and Scope of the Study

This study aims to investigate the relationship between tourism development and employment generation in Nepal, using time-series data from 2000 to 2019. The specific objectives are:

- To analyze trends in tourism development and employment generation in Nepal.
- To examine the relationship between key tourism indicators and employment within the tourism sector.
- To assess the broader spillover effects of tourism development on overall employment.
- To identify challenges and opportunities in Nepal's tourism sector and provide evidence-based policy recommendations for sustainable development.

The scope of this study is confined to Nepal's tourism industry, focusing on quantitative analysis of employment trends and tourism-related indicators such as international tourist arrivals, tourism receipts, and tourism investment.

Contribution of the Study

This research bridges a critical gap in the literature by providing a detailed analysis of the nexus between tourism development and employment in Nepal. By leveraging recent data and employing robust econometric techniques, the study offers fresh insights into the sector's role in fostering economic growth and job creation. Furthermore, it provides actionable recommendations for policymakers to enhance the tourism sector's sustainability and its contribution to national development. This study not only aids in understanding the economic dynamics of tourism but also serves as a guide for optimizing its potential for employment generation and inclusive growth.

Literature Review

Tourism plays a critical role in the socio-economic development of Nepal, providing employment opportunities and contributing to the national economy. This section reviews relevant literature focusing on tourism's impact on employment, sustainable development, and sectoral challenges, based on key studies.

Tourism Development and Economic Impact

Adhikari (2019) explored the economic prospects of tourism in Pokhara, highlighting its potential to drive local development and provide employment opportunities. Similarly, Bhandari (2019) emphasized the significant role of tourism in generating employment in Nepal, underscoring its labor-intensive nature. Tourism's contribution to economic development was further evidenced by Jaiswal (2018), who positioned it as a tool for economic progress, particularly in developing countries like Nepal.

Sustainable Tourism Practices

Sustainability is a pressing concern in tourism development. Aryal (2020) delved into the concept of circularity in the Nepali tourism industry, identifying opportunities and challenges for closing loops in sustainable practices. Chan and Bhatta (2023) examined the trans-Himalayan connectivity and its implications for sustainable tourism, demonstrating how community perceptions shape tourism's impact along key connectivity corridors like the Nepal–China Friendship Highway. Additionally, Baniya, Thapa, and Kim (2019) assessed corporate social responsibility among Nepali tour operators, revealing its importance in fostering sustainable tourism practices.

Policy and Infrastructure Challenges

Effective policies and infrastructure are essential for maximizing tourism's benefits. Batala et al. (2019) analyzed national tourism policies in Nepal, identifying innovation and marketing constraints. Devkota, Paudel, and Bhandari (2020) addressed the expectations of tourism entrepreneurs from provincial governments, particularly in Pokhara, highlighting infrastructure deficiencies and administrative bottlenecks.

Employment Generation and Security

Tourism's potential for job creation has been widely acknowledged. Thapa-Parajuli and Paudel (2018) analyzed employment elasticity within Nepal's tourism sector, revealing its capacity to absorb labor across various skill levels. Chhetri (2018) linked

tourism development with security concerns, emphasizing the need for safe environments to enhance employment opportunities.

Regional and Entrepreneurial Perspectives

Regional disparities in tourism benefits have also been explored. Bennike and Nielsen (2024) investigated inequality in frontier tourism development in the Nepal Himalayas, emphasizing the need for equitable policy interventions. Devkota et al. (2022) explored entrepreneurial prospects in Bardiya, suggesting pathways for integrating local enterprises into the tourism economy. Lama et al. (2020) examined e-tourism adoption in Nepal, highlighting its potential to bridge gaps in traditional tourism practices.

Environmental and Social Dimensions

Environmental considerations are central to sustainable tourism. Nepal, Al Irsyad, and Nepal (2019) studied the interplay between tourist arrivals, energy consumption, and emissions, proposing strategies for mitigating adverse environmental impacts. Birendra, Dhungana, and Dangi (2021) linked tourism with the Sustainable Development Goals (SDGs), showcasing its role in promoting inclusive growth and poverty alleviation.

Emerging Trends and Future Directions

The Visit Nepal 2020 campaign, as analyzed by Badal (2019), aimed to capitalize on tourism's growth potential but faced disruptions due to unforeseen global challenges like the COVID-19 pandemic. Future-oriented studies, such as Aryal (2020) and Chan and Bhatta (2023), emphasize the importance of innovative, inclusive, and environmentally conscious practices for long-term sustainability.

In summary, the literature demonstrates a strong consensus on tourism's multifaceted contributions to Nepal's development. However, challenges related to sustainability, policy implementation, and equitable distribution of benefits remain. Addressing these issues through targeted interventions can help Nepal fully realize the potential of its tourism sector.

Research Methodology

Research Design

This study employs a quantitative research design to analyze the relationship between tourism development and employment generation in Nepal. The approach involves the use of secondary time-series data to explore trends and causal relationships

between key tourism indicators and employment variables. The quantitative design ensures a structured and objective assessment of data over the period 2000–2019, allowing for the estimation of hypothesized relationships.

Data Collection Methods and Tools

The study relies on secondary data collected from credible sources such as the World Bank, Nepal Tourism Board, and Nepal Rastra Bank. Key variables include:

- **Tourism Employment (TE):** Employment within the tourism sector (in thousands).
- **Total Employment (TEMP):** Total employment in Nepal (in thousands).
- **International Tourist Arrivals (ITA):** Number of tourists arriving annually.
- **Tourism Receipts (TR):** Revenue generated from international tourism (in million USD).
- **Tourism Investment (TI):** Foreign direct investment in tourism (in million USD).
- **GDP per capita (GDPPC):** A measure of overall economic output (in constant 2010 USD).

The data were systematically compiled and organized into a time-series format, facilitating a comprehensive analysis of trends and interrelationships.

Sampling

The study covers a 19-year period (2000–2019) to capture long-term trends and patterns. The selection of this timeframe ensures the inclusion of various economic, policy, and social changes that may have influenced tourism and employment.

Methods of Analysis and Interpretation

The study employs a comprehensive analytical framework to examine the relationship between tourism development and employment generation in Nepal. Descriptive statistics provide an overview of the data, highlighting key measures such as mean, standard deviation, minimum, and maximum values. This preliminary analysis helps establish a foundational understanding of the trends and variability within the dataset.

To further investigate the relationships between variables, multiple regression analysis is conducted using two models. Model 1 focuses on the effect of tourism indicators—such as international tourist arrivals, tourism receipts, and tourism investment—on employment within the tourism sector. Model 2 extends the analysis to

examine the relationship between these tourism indicators and total employment across Nepal. These models allow for a robust assessment of the direct and broader impacts of tourism on employment.

In addition, Granger causality tests are employed to explore the directional causality between tourism indicators and employment variables. This approach identifies whether changes in tourism development indicators, such as tourist arrivals or receipts, precede and potentially cause changes in employment levels. Together, these methods provide a rigorous and multifaceted analysis, offering valuable insights into the dynamics of tourism and employment in Nepal.

The models were chosen for their ability to quantify relationships between independent variables (tourism indicators) and dependent variables (employment measures). The inclusion of GDP per capita accounts for broader economic conditions, ensuring a holistic assessment. The study uses robust econometric techniques to validate hypotheses and assess causal relationships.

Interpretation of Data

Each table presenting data is interpreted separately to provide clarity:

1. **Descriptive Statistics Table:** Summarizes trends and variability in the data, such as average tourist arrivals and employment figures over the years. This helps identify baseline patterns.
2. **Regression Results Table:** Interprets the impact of each tourism indicator on employment measures, noting the significance levels and coefficient values. For example, positive coefficients for ITA and TR highlight their strong role in driving employment growth.
3. **Granger Causality Results Table:** Discusses directional relationships, such as whether increases in tourism receipts lead to changes in total employment or vice versa.

Rationale for Methods and Sampling

The selected methods and timeframe are appropriate for capturing both short-term fluctuations and long-term trends in Nepal's tourism and employment sectors. The quantitative approach ensures objectivity, while the econometric models provide a rigorous framework for hypothesis testing. This methodology not only addresses the research objectives but also ensures the robustness and reliability of findings,

Results and Discussion

Descriptive Statistics

Table 1 presents the descriptive statistics for the key variables used in the study.

Table 1

Descriptive Statistics of Key Variables (2000-2019)

Variable	Mean	Std. Dev.	Min	Max
TE	371.5	98.7	225.6	573.2
TEMP	12,456.3	1,589.4	9,842.1	15,123.7
ITA	684,532	245,678	363,395	1,197,191
TR	472.6	231.8	158.4	724.3
TI	23.7	12.4	6.8	51.2
GDPPC	682.5	145.3	495.8	1,071.2

These statistics indicate the variability of tourism-related variables and their impact over the 19-year period. Notably, Tourism Employment (TE) shows significant growth, aligning with increased International Tourist Arrivals (ITA) and Tourism Receipts (TR).

Regression Results

The regression analysis explores the relationship between tourism development indicators and employment.

Table 2

Regression Results

Variable	Model 1 (TE)	Model 2 (TEMP)
Constant	-156.23***	7,234.56***

Variable	Model 1 (TE)	Model 2 (TEMP)
ITA	0.00024***	0.00089***
TR	0.18***	0.57**
TI	1.23*	3.45
GDPPC	0.08**	0.34***
R-squared	0.89	0.93
F-statistic	35.67***	58.23***

Note: ***, **, and * denote significance at 1%, 5%, and 10% levels, respectively.

The regression results indicate that international tourist arrivals (ITA) and tourism receipts (TR) have significant positive effects on both tourism sector employment and total employment. Tourism investment (TI) shows a weakly significant impact on tourism employment but no significant effect on total employment. GDP per capita (GDPPC) is positively associated with both employment measures.

- **Model 1:** International Tourist Arrivals (ITA) and Tourism Receipts (TR) significantly influence Tourism Employment (TE), affirming the sector's labor-intensive nature. Tourism Investment (TI) shows a weaker impact, indicating underutilized potential for job creation.
- **Model 2:** The results extend the analysis to Total Employment (TEMP), where ITA and TR remain strong predictors, suggesting spillover effects beyond the tourism sector.

The high R-squared values demonstrate the models' robustness in explaining variations in employment. These findings confirm the hypothesis that tourism development significantly contributes to job creation.

Granger Causality Test Results

The Granger causality test results reveal bidirectional causality between international tourist arrivals and tourism employment, suggesting a strong interdependence between tourism growth and job creation in the sector. Unidirectional causality is observed from tourism receipts to total employment, indicating that increased tourism revenue contributes to overall job growth in Nepal.

Variables	Direction of Causality	Observation
International Tourist Arrivals (ITA) ↔ Tourism Employment (TE)	Bidirectional Causality	Strong interdependence between arrivals and jobs.
Tourism Receipts (TR) → Total Employment (TEMP)	Unidirectional Causality	Revenue increase leads to overall job growth.

The results highlight the dynamic interplay between tourism indicators and employment. For example, the bidirectional relationship between ITA and TE underscores the mutual reinforcement of tourist arrivals and job creation within the sector.

Discussion

The study successfully addresses its objectives of analyzing trends, relationships, and spillover effects of tourism development on employment in Nepal. The findings align with earlier studies by Bhandari (2019) and Adhikari (2019), which emphasize the critical role of tourism in employment generation. However, the limited significance of Tourism Investment (TI) observed in this study contrasts with the conclusions of Chan and Bhatta (2023), pointing to untapped potential in Nepal's tourism sector investments that require more strategic planning and implementation.

The labor-intensive nature of the tourism industry is reaffirmed by the significant positive impact of International Tourist Arrivals (ITA) and Tourism Receipts (TR) on employment. This supports the observations of Thapa-Parajuli and Paudel (2018), who highlighted tourism's capacity to create jobs across various skill levels. Furthermore, the study confirms the existence of spillover effects, consistent with Aryal (2020), demonstrating that tourism development contributes not only to direct employment but also to broader economic growth.

Despite these positive findings, challenges remain. The weak effect of Tourism Investment (TI) on employment, as identified in this study, highlights significant policy and implementation gaps. These concerns echo the insights of Bataala et al. (2019), who underscored the need for targeted investments and improved governance to fully leverage tourism's potential for job creation.

To address these challenges and maximize the benefits of tourism, several policy implications are proposed. Improving infrastructure can enhance the country's capacity to attract tourists and generate employment. Encouraging sustainable practices, such as eco-tourism, can align tourism growth with environmental goals and ensure long-term viability. Skill development initiatives targeted at the local workforce can empower communities to benefit from tourism-driven opportunities. Additionally, focusing on strategic investments in high-return areas like adventure and cultural tourism can maximize employment outcomes and ensure equitable growth.

This study extends existing research by providing empirical evidence of the tourism-employment relationship through econometric modeling, thereby contributing to the broader understanding of tourism's economic role. It validates earlier findings by Jaiswal (2018) on tourism's economic significance while highlighting nuances in the role of investment, offering valuable insights for policymakers and stakeholders.

Conclusion and Policy Implications

This study has significantly advanced the understanding of the relationship between tourism development and employment generation in Nepal. By employing quantitative analysis and econometric models, it provides empirical evidence supporting the positive influence of tourism indicators—such as International Tourist Arrivals (ITA) and Tourism Receipts (TR)—on both sector-specific and overall employment. The findings also highlight the spillover effects of tourism on the broader economy, emphasizing its role as a driver of inclusive growth. By addressing a critical gap in the literature, this research contributes to the growing body of knowledge on the economic impacts of tourism in developing economies like Nepal.

Implications of the Study

Theoretical Implications

This study reinforces existing theories on the labor-intensive nature of tourism and its capacity to drive economic growth. The significant spillover effects of tourism receipts provide further evidence for the interconnectedness of tourism with other economic sectors, validating the tourism-employment nexus proposed by previous researchers.

Managerial Implications

The findings emphasize the need for tourism stakeholders, including businesses and community leaders, to prioritize skill development and capacity building. Training programs for the local workforce can help bridge skill gaps and ensure that communities benefit from employment opportunities created by tourism growth. Additionally, businesses should consider innovative and sustainable practices to attract a diverse range of tourists and enhance revenue generation.

Policy Implications

Policymakers must focus on improving infrastructure, such as transportation and accommodation, to facilitate tourism growth and job creation. Sustainable tourism practices should be promoted to align economic growth with environmental conservation. Furthermore, strategic investment policies targeting high-return areas like adventure and cultural tourism are critical for maximizing employment and fostering equitable development.

Limitations and Directions for Future Research

While this study provides valuable insights into the relationship between tourism development and employment generation in Nepal, it is not without limitations. The reliance solely on secondary data limits the ability to capture qualitative aspects of tourism-related employment, such as job quality, working conditions, and career progression. This focus may overlook critical nuances that influence the broader implications of employment within the sector. Additionally, the analysis is conducted at the national level, which can obscure regional disparities in tourism development and its employment impacts, potentially limiting the applicability of the findings for localized policymaking.

To address these gaps, future research should incorporate primary data collection to explore the qualitative dimensions of tourism-related employment. This could include surveys and interviews to provide a deeper understanding of the lived experiences of workers in the tourism sector. Investigating regional variations in tourism impacts would offer more granular insights, enabling policymakers to develop targeted strategies for specific areas. Longitudinal studies that analyze the effects of recent policy initiatives, such as sustainable tourism programs and regional development schemes, could provide valuable information on the long-term implications of tourism development.

In conclusion, this study highlights the significant potential of tourism as a driver of employment and economic growth in Nepal. By addressing current challenges and implementing strategic policies, stakeholders can harness this potential to create sustainable jobs, reduce poverty, and promote inclusive development. Future research and initiatives should build upon these findings, focusing on both qualitative and regional analyses to optimize tourism's contribution to Nepal's economy and its people.

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To Cite this Article [APA Style, 7th Edition]:

Kadayat, G. R. (2024). Exploring the relationship between tourism development and employment generation in Nepal. *Journal of Durgalaxmi*, 3(1), 107–119.

<https://doi.org/10.3126/jdl.v3i1.73850>