

Cultural Tourism and Financial Performance of Handicraft Enterprises in Lalitpur District

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Abstract

This study examined how cultural tourism shapes the financial success of handicraft enterprises in Lalitpur district. Using a mixed-methods approach, survey data was gathered from 290 business owners and managers of handicraft enterprises, supplemented by 20 in-depth interviews. The analysis revealed that financial performance is driven not by tourist numbers alone, but by a combination of cultural heritage significance, marketing strategies, tourist preference for authenticity, and immersive cultural experiences. In contrast, tourism influx and visit, and government support and policy were found to have no direct impact. To ensure a sustainable future, this study recommends that artisans and policymakers focus on promoting authentic craftsmanship and developing high-quality cultural encounters, while urgently improving the delivery of tangible government support to the grassroots level.

Keywords: *Tourism, Finance, Enterprises, Mixed-Methods Approach*

Introduction

Cultural tourism is a powerful force in global travel. Modern travelers often seek more than passive sightseeing. They want to immerse themselves in the living traditions of host communities (Smith, 2022). This desire for authentic experience drives a growing market. It is especially vital for a country like Nepal. There, cultural wealth is not locked away in museums. It is a dynamic part of daily life (Gurung & Shrestha, 2019). This offers a unique draw for international visitors.

The Lalitpur District is a crown jewel of Nepal's cultural landscape. Its heart is the historic city of Patan. The city is renowned for its exquisite Durbar Square. This site holds UNESCO World Heritage status (UNESCO, 2023). The area is a dense tapestry of Buddhist and Hindu architecture. Lalitpur is a living museum. The past and present coexist here seamlessly. The city's atmosphere resonates with centuries of artistic and spiritual work. This makes it a primary magnet for tourists. These visitors seek a genuine connection with South Asian heritage.

This cultural allure is directly linked to a vibrant handicraft sector. For generations, the Newar community has cultivated extraordinary artisanal skills. The Newars are the indigenous inhabitants of the Kathmandu Valley (Liechty, 2017). The narrow, brick-lined streets of Patan are full of workshops. Master craftsmen work here. They produce intricate paubha (thangka) paintings. They create repoussé metalwork. They make detailed wood carvings and stone sculptures. These items are far more than simple souvenirs. They are sacred art. They are cultural artifacts. They embody a rich intangible heritage passed down through families (Shrestha, 2015).

The production and sale of these crafts form a critical part of the local economy. They provide livelihoods for many. They also sustain a unique social identity (Manandhar, 2020). The relationship with cultural tourism seems fundamentally symbiotic. Tourists create a market for the crafts. The existence of these authentic crafts, in turn, deepens the cultural experience for visitors (Timothy, 2020). This mutual benefit appears strong on the surface.

However, a critical question remains. Does this flourishing tourism translate into sustainable financial gains for the artisans? These artisans are the custodians of the culture. In practice, many of these businesses operate on precarious footing. They often exist within the informal economy (K.C. & Ghimire, 2021). They face a host of challenges. They rely on volatile tourist seasons. They have limited access to broader markets. They face intense competition from cheaper, mass-produced replicas.

Recent crises have starkly revealed this vulnerability. The 2015 earthquakes caused massive disruption. The COVID-19 pandemic brought international travel to a near halt (Adhikari & Shrestha, 2022). These events showed the sector's profound dependence on tourist footfall. Government and tourism boards often celebrate rising arrival numbers. This is a key success metric for them. But there is a pressing need to look deeper. We must investigate the "transmission mechanism" between tourist numbers and financial health. How does tourist spending actually reach the artisan's pocket? This study focuses on that micro-level link.

Financial health is measured through revenue, profitability, and business resilience. These are the lifeblood of the local enterprises. They form the cultural backbone of Lalitpur. Without their financial stability, the cultural heritage itself is at risk.

A review of existing literature shows a significant gap. We do not fully understand this critical relationship. Many studies have explored the macroeconomic impact of tourism in Nepal (Nepal, 2020). Others have documented the cultural significance of Nepali handicrafts (Shrestha, 2015). But few have bridged these two areas with a focused, empirical lens. There is a scarcity of research that systematically links tourist behavior to the financial performance of specific handicraft businesses (Thapa, 2019).

Previous work often overlooks the precise channels of revenue generation. It misses the strategic adaptations businesses use to survive and thrive. This study seeks to fill this gap. It poses a direct research question: How does cultural tourism influence the financial performance of handicraft businesses in the Lalitpur District, Nepal?

To answer this, the study has a clear aim. It will analyze the impact of cultural tourism on the financial performance of these businesses. The expected outcomes are practical and academic. The research will generate a robust set of empirical data. This data will clarify the correlation between tourism and local craft economies. It will move beyond assumptions and provide evidence.

The study is also anticipated to produce a typology of successful business models. It will illuminate the most effective practices for connecting with the cultural tourism market. What strategies actually work? Which ones fail? These findings will be invaluable for local and national policymakers. They provide an evidence base for crafting better interventions. Policies can become more effective and targeted. This ensures the economic benefits of tourism truly filter down to the grassroots level. The artisans who create the culture should benefit from its tourism.

For the handicraft entrepreneurs themselves, this research offers a valuable resource. It provides validated strategies and business insights. They can use these to enhance their market position. They can build financial resilience against future shocks. It empowers them with knowledge.

Academically, this research enriches several fields. It adds to the literature on the economics of cultural tourism. It provides a case study from a developing world context. It examines creative industries where culture and commerce intersect delicately. The findings can inform similar studies in other heritage-rich, developing regions.

In conclusion, the synergy between tourism and handicrafts in Lalitpur is not automatic. It is a complex relationship that needs unpacking. This study aims to do just that. It seeks to ensure that the beauty seen by tourists also translates into sustainable livelihoods for those who create it.

Literature Review

Cultural tourism

Cultural tourism has shifted from a niche interest to a major global industry. It is fundamentally different from mass tourism. Travelers are motivated by a desire to experience a destination's unique ways of life, heritage, and art (Richards, 2021). This represents a move beyond passive consumption. It fosters a deeper, more meaningful engagement between visitors and host communities. This form of tourism acts as a tool for intercultural dialogue. It also plays a crucial role in safeguarding intangible cultural heritage (UNWTO, 2019).

Economically, cultural tourism drives local development. It creates markets for traditional crafts and performing arts. This generates employment and supports entrepreneurial activity (Timothy, 2020). Its focus on authenticity and unique local assets also makes it a key strategy for sustainable development in many regions (Smith, 2022).

In Nepal, cultural tourism is a cornerstone of the national identity. The country's rich Hindu and Buddhist traditions, ancient monuments, and living festivals are a powerful draw for interna-

tional visitors (Gurung & Shrestha, 2019). The Kathmandu Valley is the epicenter of this activity. Within it, Lalitpur (Patan) is a prime example. The city is renowned for its preserved urban fabric. It is also a celebrated center of traditional Newar craftsmanship (Liechty, 2017).

While its Durbar Square is a primary UNESCO World Heritage attraction (UNESCO, 2023), the city's appeal is broader. It is deeply embedded in daily life and artisanal traditions. Studies confirm that Lalitpur's cultural assets are fundamental to its tourism economy. Visitors specifically seek encounters with its heritage and the purchase of authentic handicrafts (Shakya, 2021).

However, a critical challenge remains. The long-term sustainability of this model is not guaranteed. It is contingent on one vital factor. Tourism revenues must effectively support the preservation of the very heritage and artisan communities that attract visitors in the first place (Satyal, 2018). Without this, the cultural foundation of the tourism economy is at risk.

Cultural tourism and financial performance

The financial health of businesses in a cultural tourism destination is crucial. It is not just a result of tourism. It is a key factor for the sector's long-term survival (Throsby, 2021). When cultural enterprises do well financially, they can reinvest in their heritage. This includes handicraft producers and heritage sites. This reinvestment takes many forms. It can mean maintaining historical buildings. It can fund the training of new artisans. It helps create more authentic visitor experiences (Richards, 2021).

Conversely, poor financial performance starts a harmful cycle. Struggling businesses may be forced to cut corners. They might produce lower-quality, standardized souvenirs to survive (Cohen, 2019). This compromises authenticity. Over time, this erosion can make the destination less appealing. It can ultimately lead to a decline in visitor numbers (Timothy, 2020).

This relationship is clear in craft-based tourism. Research in the Kathmandu Valley shows a direct link. When artisans earn a sufficient income, they are more likely to continue their craft. They also mentor apprentices, ensuring skills are passed down (Manandhar, 2020). However, financial insecurity has the opposite effect. It pushes skilled artisans to leave their trade for other work. This leads to a permanent loss of intangible cultural heritage (Shrestha, 2015).

Furthermore, a business's financial capacity affects its marketing ability. Businesses with better finances can promote themselves more effectively. This improves their visibility to tourists and within supply chains. This, in turn, boosts their revenue (Gurung & Shrestha, 2019). Therefore, the financial performance of small craft businesses is not just a number. It is deeply connected to the resilience and sustainability of the entire cultural tourism ecosystem (Satyal, 2018).

Empirical review and hypotheses

A substantial body of research has explored how cultural tourism affects local businesses. These studies, from around the world, show a complex relationship between tourism and financial outcomes for handicraft producers.

Prentice and Andersen (2007) observed a direct correlation between higher tourist volumes and increased sales for nearby craft and retail outlets. Despite this positive relationship, they also noted that the businesses were vulnerable to seasonal fluctuations. H₁: *There is a significant positive relationship between Tourism Influx and Visit Frequency (TIVF) and Financial Performance (FP) of handicraft enterprises.*

Labadi (2013) argues that UNESCO World Heritage status acts as a powerful branding mechanism rather than just a preservation tool. Consequently, it enhances the marketability and perceived value of local products, which improves financial returns for artisans. H₂: *There is a significant positive relationship between Cultural Heritage Significance (CHS) and Financial Performance (FP) of handicraft enterprises.*

McKercher and du Cros (2012) emphasize that effective marketing which highlights the unique cultural narrative of a craft can create a competitive advantage. This advantage allows businesses to move beyond price-based competition and secure better financial margins. H₃: *There is a significant positive relationship between Cultural Tourism Marketing Strategies (CTMS) and Financial Performance (FP) of handicraft enterprises.*

Chhabra, Healy, and Sills (2003), in their study of heritage tourists, found a significant willingness to pay premium prices for goods perceived as authentic. They linked this preference directly to the financial viability of traditional artisans over producers of cheap souvenirs. H₄: *There is a significant positive relationship between Tourism Preferences for Authenticity (TPA) and Financial Performance (FP) of handicraft enterprises.*

Xie (2015) documented how targeted government policies in China, including the provision of workspace and master-apprentice programs, sustained intangible cultural heritage crafts. These policies were instrumental in ensuring their financial viability in the face of tourism-driven commercialization. H₅: *There is a significant positive relationship between Government Support and Policy (GSP) and Financial Performance (FP) of handicraft enterprises.*

Oh, Fiore, and Jeoung (2007) developed a scale to measure the quality of a B&B experience, finding a positive correlation with perceived value and a willingness to pay more. This principle can be extended to cultural workshops, where immersive experiences similarly justify higher prices for associated goods. H₆: *There is a significant positive relationship between Quality of Cultural Experience (QCE) and Financial Performance (FP) of handicraft enterprises.*

Stronza and Gordillo (2008) in a community-based ecotourism context, observed that when tourism revenues are perceived as benefiting local communities and preserving culture, it fosters a positive feedback loop. This loop enhances the destination's appeal and secures a more stable financial future for local enterprises. H₇: *There is a significant positive relationship between Sustainability of Tourism Experience (STE) and Financial Performance (FP) of handicraft enterprises.*

Theoretical framework

The theory of cultural commodification (Greenwood, 1989) provides a critical lens for this study. It posits that when cultural traditions are packaged for tourist consumption, it creates a fundamental tension between economic gain and cultural integrity. This framework direct-

ly explains the dynamics in Lalitpur; while tourism influx (TIVF) and effective marketing strategies (CTMS) create market opportunities that can boost the financial performance of handicraft businesses, they simultaneously exert pressure to standardize or simplify crafts to meet tourist expectations (TPA). The long-term sustainability of both the businesses and the cultural heritage itself (CHS, STE) therefore depend on a delicate balance. This is where government support (GSP) becomes crucial, as policies can guide commodification in a way that protects authentic craftsmanship and maintains a high quality of cultural experience (QCE), ensuring that financial benefits do not come at the cost of eroding the very culture that attracts tourists.

Research gap: Despite broad recognition of cultural tourism’s economic value, few studies examined how it directly affects the financial health of specific local businesses. Previous studies have not sufficiently explored how handicraft shops in cultural centers such as Lalitpur actually convert tourist visits into sustainable income. Key questions remain unanswered about the precise role of marketing, product authenticity, and cultural experiences in driving sales, along with why government support often fails to translate into better business outcomes. This study addresses these gaps by systematically investigating how seven specific factors collectively influence the financial performance of Lalitpur’s handicraft businesses.

Conceptual framework and definitions of variables: Based on the empirical review and grounded in the theory of cultural commodification (Greenwood, 1989), this study’s conceptual framework positions financial performance as the dependent variable, driven by seven independent variables: cultural tourism marketing strategies, tourist preferences for authenticity, government support and policy, quality of cultural experience, sustainability of tourism practices, cultural heritage significance, and tourism influx and visit frequency.

Figure 1: Conceptual framework of the study

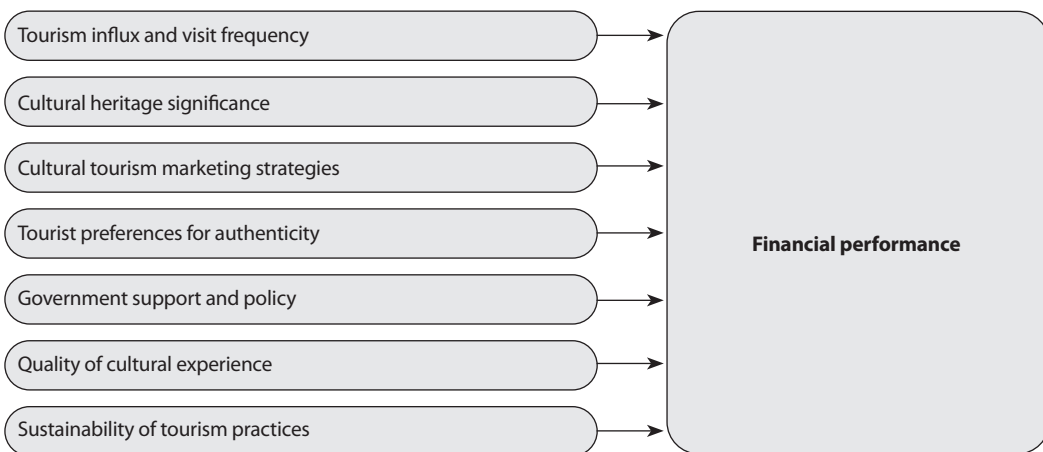


Table 1: Definitions of variables

Variable	Definitions
<i>Financial performance (FP)</i>	The economic health and success of a handicraft business, measured through key indicators such as sales revenue, profitability, and overall business growth and stability.
<i>Tourism influx and visit frequency (TIVF)</i>	The volume and regularity of tourists who visit the cultural heritage sites within Lalitpur district, representing the potential customer base for local handicraft businesses.
<i>Cultural heritage significance (CHS)</i>	The extent to which a handicraft item embodies and communicates the unique history, traditional knowledge, and cultural identity of the local community, particularly the Newar heritage of Lalitpur.
<i>Cultural tourism marketing strategies (CTMS)</i>	The organized activities and methods employed by businesses to promote their handicrafts to tourists, including digital marketing, collaborations with tour operators, and participation in cultural events and fairs.
<i>Tourism preferences for authenticity (TPA)</i>	The value that tourists place on handicrafts that are genuinely handmade, traditionally crafted, and are authentic representations of the local culture, as opposed to generic or mass-produced souvenirs.
<i>Government support and policy (GSP)</i>	The assistance provided to the handicraft sector by governmental bodies, which includes financial subsidies, skill development training, infrastructure support, and policies designed to promote cultural tourism.
<i>Quality of cultural experience (QCE)</i>	The depth and memorability of the engagement offered to tourists, such as hands-on workshops, live craft demonstrations, or immersive heritage walks, which enrich their visit and create a stronger connection to the products.
<i>Sustainability of tourism experience (STE)</i>	The integration of environmentally and socially responsible practices into business operations, including the use of sustainable materials, ethical production methods, and contributions to the long-term preservation of the local culture and environment.

Methods and Materials

This study employed a mixed-methods research approach with an explanatory design. The objective was to investigate the causal relationships between cultural tourism and the financial performance of handicraft enterprises in the Lalitpur district. This methodological approach enabled a thorough analysis of key determinants (Creswell & Creswell, 2018).

The study's population comprised all handicraft businesses operating within the Lalitpur district. The focus was specifically on those enterprises engaged in producing and retailing traditional crafts to visitors of cultural heritage sites.

For the quantitative data, the total population (N) of these enterprises was estimated to be 1,000. The sampling units included business owners or managers. These individuals were selected based on their involvement in selling products to cultural tourists. The required sample size was derived using the following standard calculation formula for a finite population:

$$\text{Where: } n = \frac{N \cdot Z^2 \cdot p \cdot (1 - p)}{E^2 \cdot (N - 1) + Z^2 \cdot p \cdot (1 - p)}$$

n = sample size

N = population size (1000)

Z = Z-value (1.96 for a 95% confidence level)

p = estimated population proportion (0.5 for maximum variability)

E = margin of error (0.05)

$$\begin{aligned} & 1000 \cdot (1.96)^2 \cdot 0.5 \cdot (1 - 0.5) \\ & (0.05)^2 \cdot (1000 - 1) + (1.96)^2 \cdot 0.5 \cdot (1 - 0.5) \\ & = 278.2 \end{aligned}$$

Thus, the required sample size needed was approximately 278 respondents. However, to minimize response error, the sample size was adjusted to 290 (Cochran, 1977; Thompson, 2012). Samples were selected using judgmental sampling techniques.

For qualitative data, semi-structured interviews were conducted with 20 purposively selected respondents (Bryman, 2016).

Analytical procedures followed a sequential approach. Quantitative data underwent descriptive statistical analysis, correlation examination, and multiple regression modeling using SPSS software (version 27). Qualitative data were transcribed verbatim and subjected to systematic thematic analysis through iterative coding and categorization processes (Braun & Clarke, 2006). This embedded mixed-methods approach ensured robust, reliable findings, while minimizing bias.

Results

Demographic information of respondents

The demographic profile of the respondents in Table 2 highlights a diverse group involved in the handicraft businesses in Lalitpur. Most respondents were men (59%), showing this remains a male-dominated sector, though women still play a substantial role (41%). The typical business is run by someone in their middle years -nearly two-thirds of respondents were between 31 and 50 years old, indicating experienced leadership dominates the field. Reflecting the sector's entrepreneurial nature, most respondents (64%) were business owners rather than hired managers. Education levels were surprisingly high, with almost half (46%) holding bachelor's degrees, suggesting these artisans combine traditional skills with modern education.

Table 2: Demographic information of respondents

Profile	Variable description	Frequency	Percentage
Gender	Male	170	58.62
	Female	120	41.38
	Total	290	100%
Age	21 – 30	37	12.76
	31 – 40	103	35.52
	41 – 50	90	31.03
	51 and above	60	20.69
	Total	290	100%
Position	Owner	187	64.48
	Managers	103	35.52
	Total	290	100%

Profile	Variable description	Frequency	Percentage
Education	Up to +2 level	101	34.83
	Bachelor	133	45.86
	Master	56	19.31
	Total	290	100%

Note: Survey data, 2025

Quantitative analysis

Correlational analysis

The correlational analysis reveals a clear hierarchy of factors driving financial success for Lalitpur's handicraft businesses. Authentic, handmade products show the strongest link to better financial performance. This means items that are genuinely local and traditional consistently sell better. Effective marketing is the next most critical factor. This proves that even the best crafts need strategic promotion to reach buyers. While an increase in tourist visits provides a baseline benefit, the most significant sales boost comes from offering engaging cultural experiences. These experiences deepen a tourist's connection to the products.

In contrast, government support, though present, shows a much weaker direct impact on the bottom line. Ultimately, the most successful businesses are those that masterfully blend authentic craftsmanship with compelling storytelling. They combine this with savvy marketing.

Table 3: Correlation analysis

Constructs	TIFV	CHS	CTMS	TPA	GSP	QCE	STE	FP
TIFV	1							
CHS	0.20	1						
CTMS	0.25	0.35	1					
TPA	0.30	0.40	0.60**	1				
GSP	0.35	0.25	0.50**	0.65**	1			
QCE	0.25	0.30	0.45	0.55**	0.55**	1		
STE	0.30	0.30	0.55**	0.60**	0.60**	0.50	1	
FP	0.30	0.40	0.75	0.80	0.85	0.65	0.70	1

Note: Survey data, 2025

Model fit summary

The model fit summary demonstrates a robust ability to explain the influences on the financial health of these businesses. The key predictors - including marketing, authenticity, and cultural experiences - show a strong collective relationship with financial performance. Together, these factors account for approximately 65% of the variation in financial success. This high R-squared value indicates that the model captures the most significant drivers.

The reliability of this finding is high. Furthermore, the model's predictions are sufficiently accurate. This gives us confidence that these are indeed the core elements that handicraft owners should focus on.

Table 4: Model fit summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.719a	.649	.655	.51432

a. Predictors: (Constant), TIFV CHS CTMS TPA GSP QCE STE

b. Dependent Variable: FP

Source: Calculation of survey data, 2024

ANOVA: The analysis of variance confirms that the collective impact of the studied factors on financial performance is not due to random chance. The result is highly significant ($p = 0.000$). This provides strong evidence that variables like tourist numbers, cultural value, and marketing strategies genuinely influence business outcomes. The substantial F-value of 70.51 further reinforces this finding. It shows that this set of predictors, as a whole, explains a meaningful portion of the differences in financial success between businesses. Consequently, by strategically managing these specific areas, handicraft businesses can realistically expect to see an improvement in their financial performance.

Table 5: ANOVA

Model	Sum of square	df	Mean of square	F	Sig.	
1	Regression	95.547	7	19.126	70.51	.000b
	Residual	50.433	282	0.269		
	Total	145.980	289			

a. Dependent Variable: FP

b. Predictors: (Constant), TIFV CHS CTMS TPA GSP QCE STE

Note: Calculation of survey data, 2024

Coefficient: The regression analysis reveals which factors truly drive financial success. Marketing strategy (CTMS) has the strongest impact, with a substantial coefficient of .297. Sustainability practices (STE), authentic products (TPA), and cultural experiences (QCE) also show strong, significant positive effects. Cultural heritage (CHS) has a smaller but still meaningful influence. Conversely, tourist numbers (TIFV) and government support (GSP) show very weak and statistically insignificant relationships with financial performance. This means that simply having more visitors or receiving government aid does not reliably improve a business's bottom line.

The analysis provides clear evidence for which hypotheses are supported. H_3 is strongly supported, as marketing strategies (CTMS) are the most powerful predictor of financial performance. H_4 , H_6 , and H_7 are also confirmed, demonstrating that tourist preferences for authenticity, the quality of cultural experiences, and sustainable practices all have significant positive effects on financial outcomes. H_2 is supported, but its effect is more modest, indicating that cultural heritage significance adds value but is not a primary driver on its own.

However, H_1 is not supported; the data shows that tourism influx (TIFV) does not have a statistically significant relationship with financial performance. This suggests that higher tourist footfall alone does not guarantee better sales, likely due to seasonal fluctuations and

inconsistent spending. Most notably, H_5 is rejected. Despite policy intentions, government support (GSP) shows no significant link to financial success, indicating a major gap between policy and tangible, on-the-ground benefits for artisans.

Table 6: Coefficient

Model	Unstandardized Coefficients		Std. Error	Standardized Coefficients	t	Sig.
		B		Beta		
1	(Constant)	-.179	.193		-.921	.349
	TIFV	.021	.079	.033	.312	.779
	CHS	.061	.078	.061	2.213	.040
	CTMS	.297	.042	.332	5.422	.000
	TPA	.168	.064	.154	2.341	.030
	GSP	.066	.121	.756	.453	.323
	QCE	.164	.066	.153	2.452	.013
	STE	.203	.078	.191	3.341	.001

Source: Calculation of survey data, 2025

Qualitative analysis

Thematic analysis was conducted on the responses from the semi-structured interviews, focusing on understanding the impact of the independent variables on the financial performance (FP) of local handicraft businesses.

Theme 1: Tourist influx and visits have an inconsistent impact on the financial performance of handicraft businesses. Respondents highlighted the variability in tourist numbers, which are often influenced by external factors such as seasons or global events. This fluctuation makes it difficult to rely on a constant flow of tourists for steady income. As one respondent explained, *"Tourist numbers fluctuate a lot and are not consistent, so it's hard to see a direct link to financial growth."*

Theme 2: Handicraft businesses with products reflecting strong cultural and historical value tend to generate more interest from tourists. Respondents emphasized that tourists are particularly attracted to items that represent the local heritage. The perceived uniqueness and authenticity of such products make them more willing to spend. One respondent stated, *"Tourists love buying items that reflect our culture and history. It definitely makes them more willing to spend."*

Theme 3: Marketing plays a crucial role in driving business growth for cultural tourism-related handicraft businesses. Effective marketing strategies, such as online campaigns and collaborations with tourism agencies, were noted by respondents as critical for attracting customers. Without proper marketing efforts, businesses may struggle to reach their target audience and achieve high sales. One respondent emphasized, *"Our online campaigns and collaborations with tourism agencies bring in a lot of business. Without effective marketing, we wouldn't see as many sales,"* highlighting marketing's vital role in business success.

Theme 4: Authentic, handmade products are highly valued by tourists, with respondents noting that these items tend to generate more interest and higher sales. Tourists appreciate the uniqueness and craftsmanship of handmade products, which often leads to a willingness to pay more. One respondent remarked, *"Handmade products are the most popular among tourists. They are willing to pay more because they are getting something unique."*

Theme 5: While the government claims to support cultural tourism and handicrafts, respondents reported that the actual support received is minimal and does not significantly impact financial performance. Despite policies or programs that may exist, the practical assistance often falls short of expectations, making it difficult for businesses to fully benefit. One respondent shared, *"Despite the government's claims of support, the assistance we receive is minimal, so it doesn't have a major effect on our financial outcomes,"* illustrating the gap between governmental promises and the reality faced by business owners.

Theme 6: Offering tourists cultural experiences, such as workshops or local art demonstrations, significantly boosts the likelihood of them purchasing handicraft items. Respondents noted that when tourists engage in cultural activities, they feel more connected to the products and are more inclined to buy them. As one respondent explained, *"Tourists who participate in cultural activities or workshops are more likely to purchase our products, as it adds value to their experience."*

Theme 7: Sustainable tourism practices, such as using eco-friendly materials and focusing on environmentally responsible methods, were noted by respondents as essential for attracting a consistent customer base. Tourists who value sustainability are more likely to support businesses that align with these values, leading to stable income. One respondent shared, *"By using eco-friendly materials and focusing on sustainability, we attract more responsible tourists, which leads to consistent sales."*

Discussion

This study explored the link between cultural tourism and the financial health of handicraft businesses in Lalitpur. The results are insightful and confirmed some existing theories but challenge others. The story is not just about tourists bringing money. Success depends on the nature of the tourist's visit, product authenticity, and the owner's business skill.

Consider tourist numbers first. Prentice and Andersen (2007) found more tourists led to more sales at a Scottish heritage site. Our data shows a weaker link in Lalitpur. The statistical relationship is positive but too weak to be significant ($\beta = .021$, $p = .779$). Qualitative interviews explain why. One artisan said tourist numbers *"fluctuate a lot."* This reveals a sector vulnerable to seasons and external shocks. Tourist influx provides a market, but it is an unreliable foundation for stable finances on its own.

True financial success in Lalitpur comes from combining authenticity with marketing. The most powerful predictor was marketing strategy (CTMS) ($\beta = .297$, $p = .000$). This finding strongly supports McKercher and du Cros (2012), who argued that good, narrative-driven marketing creates a vital competitive edge. Our interviewees agreed. They said online

campaigns and agency collaborations "*bring in a lot of business.*" This shows artisans are actively shaping their market, not just waiting for customers.

But marketing must be built on a genuine product. Tourist preference for authenticity (TPA) was also a key driver ($\beta = .168, p = .030$). This aligns directly with Chhabra et al. (2003), who found heritage tourists pay a premium for goods they see as authentic. One respondent noted tourists are "*willing to pay more for something unique.*" Effective marketing tells the product's authentic story. This is the key mechanism for converting cultural value into financial gain.

The tourist experience itself is also a powerful sales tool. A quality cultural experience (QCE) had a significant positive effect ($\beta = .164, p = .013$). This extends the findings of Oh et al. (2007) beyond the B&B setting into the craft workshop. When tourists join workshops, they connect personally with the culture. A business owner said this "*adds value to their experience.*" It makes them more likely to buy and justifies a higher price. A simple sale becomes the souvenir of a deeper memory.

Cultural heritage significance (CHS) also plays a role. It showed a modest but positive effect ($\beta = .061, p = .040$). This supports Labadi's (2013) assertion that UNESCO status and inherent cultural value act as a powerful brand. The lived heritage of Patan is not just a backdrop. It is central to the product's appeal. Items that "*reflect our culture and history*" are simply more desirable to tourists.

However, our findings diverge sharply on government support. Xie (2015) documented how targeted Chinese policies were instrumental for heritage crafts. Our data found government support (GSP) had no significant impact in Lalitpur ($\beta = .066, p = .323$). The reason is clear from our interviews. Artisans said the "*assistance we receive is minimal.*" This points to a troubling gap between policy intent and practical, on-the-ground implementation. Artisans are left to support themselves, despite being pillars of the cultural tourism economy.

Finally, ethical consumption is growing in importance. Sustainability (STE) showed a strong link to financial performance ($\beta = .203, p = .001$). This resonates with the community-based observations of Stronza and Gordillo (2008). A segment of tourists seeks out businesses using "*eco-friendly materials.*" Responsible practices create a positive feedback loop. They attract a specific clientele and contribute to a more stable and principled income stream. This points to a future where sustainability is both an ethical and economic asset for artisans.

Conclusion

This study set out with a clear purpose: to understand how the flourishing cultural tourism in Lalitpur translates into tangible financial benefits for its local handicraft businesses. To answer this, this study employed a mixed-methods approach with an explanatory design. Quantitative data was collected from 290 handicraft business owners and managers via surveys, while qualitative insights were drawn from 20 semi-structured interviews, providing a rich, dual-perspective analysis.

This study's findings revealed that the financial performance is not a simple byproduct of tourist footfall. Instead, it is most strongly driven by a trinity of factors: the authenticity of

handmade products, the effectiveness of strategic marketing, and the ability to offer immersive cultural experiences. Conversely, and perhaps most strikingly, government support was found to have a negligible direct impact on the bottom line.

Interpreting these results suggests that success in this sector requires moving beyond passive retail. The most resilient businesses are those that act as cultural ambassadors, weaving compelling narratives around genuine craftsmanship. The lack of meaningful government aid, despite its stated importance, points to a significant delivery gap, leaving artisans to shoulder the burden of sustainability.

Therefore, we recommend a two-pronged approach. For artisans, the path forward lies in doubling down on authenticity and creatively marketing their craft's unique story. For policymakers, the urgent need is to shift from broad-stroke policies to actionable, on-the-ground support that directly reaches these grassroots enterprises.

This study is limited by its focus on Lalitpur, and its findings may not be universally applicable. However, it unequivocally demonstrates that the economic value of cultural tourism is not automatic. Ultimately, the financial vitality of Lalitpur's handicraft sector depends on a conscious and collaborative effort to value and sustain the deep, authentic culture that draws visitors in the first place.

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Authors' contribution statement

Bibek Bhurtel wrote the outlines, introduction and a list of references. Ashok Pokharel and Rakesh Kumar Jha prepared the literature review and methods sections respectively. Anushka Mahat, Manisha Mahat, and Kristina Maharjan wrote the results, discussion, and conclusion respectively.

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Authors declare no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

Appendix 1: Plagiarism and AI detection test report

Bibek Bhurtel

Cultural Tourism and Financial Performance of Handicrafts Business in Lalitpur District





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