



## **ASSESSING THE IMPACT OF TOURISM ON ECONOMIC DEVELOPMENT IN FAR WESTERN PROVINCE OF NEPAL**

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### **Abstract**

Tourism has increasingly been put forward as a developmental opportunity to the peripheral and economically marginal areas of the developing countries. In Nepal, despite the significant contribution of tourism to the national income and employment, the distribution of these results is uneven across the country, being especially in remote provinces, like the Far Western Province. This paper is based on an empirical investigation of the role of tourism in economic development of Far Western Nepal that uses primary survey data of 385 tourism stakeholders and hotel owners in nine districts. The study is based on the tourism-led growth hypothesis and the theory of regional development, which justifies the adoption of the comprehensive quantitative framework consisting of the descriptive statistics, reliability test, mean score analysis, the one-sample t-tests, estimation of the effect size, correlation analysis, and analysis of the comparison of the districts. Findings indicate that there is a strong agreement on the role of tourism in economic development of the region, growth of local business, entrepreneurship and foreign-exchange earning with statistically significant and substantively large impacts. However, the study finds spatial differences in tourism benefits between Terai and hill districts highlighting the contribution of infrastructure, accessibility, and market integration. The paper concludes that tourism is a critical contributor to the economy of Far Western Nepal, but its effectiveness should be based on region-specific, inclusive, and policy-supported interventions.

**Keywords:** Tourism led growth, regional development, Far Western Nepal, economic development, sustainable tourism.

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## Introduction

Tourism is now one of the most vibrant sectors of the world economy with a significant proportion of the world jobs, source of income and foreign-exchange earnings. By definition, the United Nations World Tourism Organization agrees that tourism is a significant contributor to economic growth, employment, and sustainable development especially in the developing and least-developed countries. World Travel and Tourism Council also estimates that tourism provides over a tenth of the jobs globally, and that therefore it is a highly labour-intensive industry with high multiplier impacts. Tourism has taken centre stage in development economics as an alternative mode of growth of the regions that have a low industrial capacity, weak agricultural systems, and limited employment opportunities. The tourism as a driver of economic growth hypothesis assumes that the growth of tourism can promote the general economic growth in terms of generating income, creating jobs, developing infrastructure, and intersectoral interlinkages (Balaguer and Cantavella-Jorda, 2002). Tourism on the other hand, unlike capital intensive industries, can absorb skilled and unskilled labour which makes it especially useful to economically marginal regions.

The topography of Nepal, the rich culture, and the religious importance have placed tourism as one of the pillars of the national development planning. Tourism is a major contributor of GDP, jobs, and foreign-exchange earnings of Nepal, and it is often advertised as an instrument of poverty alleviation and regional development. But Nepal has had an uneven development of tourism whereby the rewards are enjoyed by few destinations including Kathmandu Valley, Pokhara, and Chitwan yet peripheral areas keep on recording stagnation in the economy (Nepa, 2008).

Far Western Province of Nepal is one of these peripheral areas. The region has had long-term developmental difficulties characterised by rough topography, low road accessibility, poor access to the market and high poverty and out-migration. Farming is still the main source of livelihood, but the productivity is poor and very susceptible to changes in climate. It is in this regard that tourism is currently being regarded as an effective means of economic diversification, generation of livelihoods and change of a region. In spite of increased policy focus on encouraging the tourism in Far Western Nepal, there is a paucity of empirical research on the true impact of tourism on regional economic development. The literature is inclined to



consider national or existing destinations effects of tourism, and there is much to be read about the impact of tourism in underdeveloped areas. Additionally, there is the deficit of micro-level empirical studies that describe the local stakeholder's views of the economic effects of tourism.

This paper aims to fill this gap by providing systematic empirical research on the role of tourism in economic development of Far Western Province in Nepal. Based on primary data gathered among hotel owners and tourism stakeholders, the research paper focuses on the issue that tourism plays a significant role in the development of the region and whether it can be perceived to be of high impact among various districts.

## **Objective of the Study**

The main purpose of this research is:

- To study the contribution of tourism in the economic growth of Far Western Province of Nepal.

## **Hypothesis**

**H<sub>0</sub>:** There is no significant effect of tourism on the economic growth of Far Western Province of Nepal.

## **Significance of the Study**

The current research is important because of a number of reasons. First, it adds to the empirical literature on tourism-led development since it concentrates on a participation zone of regions that is insignificant and least studied in Nepal province. Second, it offers grounded perspectives of the economic impacts of tourism as perceived at the grassroots level as the author uses primary information obtained within the local tourism stakeholders. Third, the results provide policy relevant information to the regional planners and development agencies to encourage inclusive and balanced development of tourism.

## **Review of Literature**

### **1. Tourism and Economic Development: Overview.**

The role of tourism as a major contributor to economic growth has been known since time immemorial especially in the developing and transition economies where the conventional



ways of growth in industries is limited. Tourism also has comparatively low barrier to entry, high absorption capacity of labour and a high degree of backward and forward integration into local economies unlike capital-intensive sectors (Sinclair, 1998). These attributes have made tourism one of the strategic areas of making income, employment and development of regions.

On a macroeconomic view, tourism can be said to play a role on economic development in various ways such as foreign-exchange income, capital investment, infrastructure development, as well as revenue generation. At the micro level, tourism causes local entrepreneurship, small and medium enterprises, and increase household income directly and indirectly, by employing people (Sharpley, 2009). These complex effects have seen tourism being incorporated more in national development policies, poverty-reduction policies, and regional planning projects.

The international development organizations, such as the United Nations world tourism organization, all the time stress on the role of tourism to enhance inclusive growth and sustainable development, especially in the peripheral and rural areas. The literature however also warns that outcomes of tourism-based development are very context specific and determined by the governance, infrastructure, market access, and socio-political conditions.

## **2. Tourism-Led Growth Hypothesis**

The conceptual base of exploring the role of tourism in economic development is often placed in the tourism-led growth hypothesis (TLGH). This is the hypothesis according to which the aggregation economic growth can be triggered by the growth of tourism as it stimulates demand, attracts investment and creates jobs (Balaguer, et al., 2002). In one of the pioneering studies on tourism in Spain, Balaguer and Cantavella-Jorda (2002) empirically established that tourism receipts have a positive impact on economic growth in the long-run. This hypothesis is supported in the majority of the subsequent studies that are held in various contexts, indicating that tourism may become a growth engine, especially in those economies that are characterized by a low level of industrialization (Brida, Cortes-Jimenez and Pulina, 2016). However, there is no laboratory conclusion that is equally reliable. Some studies argue that tourism-based growth might be diminishing returns, leakage effects and exogenous shocks like economic crisis, pandemics and disasters. These arguments point out that the potential of tourism to boost economic growth is dependent on the state of economic integration in the host



region and the level at which the tourism revenues are held back in the host region. Regardless of these, the tourism-led growth hypothesis still forms the most common model of tourism economics where it is used in the developing economies where other channels of growth are limited. The current research undertaking utilizes this model to investigate the idea of whether tourism plays any significant role in the economic growth of Far Western Nepal.

### **3. Local Economies, Employment and Tourism.**

One of the widely recognized advantages of tourism in the development is its contribution in the generation of employment. Tourism is also labour-intensive in nature, as it provides a wide range of occupations of all capabilities: accommodation services, transport, food and beverage services, guiding, handicrafts, and informal sector (Sharpley, 2009). According to Ashley and Roe (2002) tourism can also be very successful in earning poor and marginalised families when there is an effective participation and connection of the locals. Indirectly, tourism favours agricultural producers, craftsmen, construction workers, and service providers giving it an even greater economic impact than the direct tourism industry. However, structural challenges related to tourism employment are also mentioned in the literature. Some researchers observe that employment in the tourism sector is seasonal, informal and marked by wage insecurity as well as weak social protection (Hall & Jenkins, 1998; Scheyvens, 2007). Gendered divisions of labour also make employment results more complicated because women are over-represented in low-paid and unofficial tourism jobs. Such discussions highlight the need to examine not just the existence of job opportunities as a result of tourism but also the quality, permanence, and location of jobs created by tourism, which is especially relevant when tourism is in remote and underdeveloped destinations.

### **4. Tourism, Regional Development and Spatial Inequality.**

Regional development theory anticipates the non-uniform space distribution of economic activity, especially, where there are strong geographical and infrastructural inequalities between countries. Tourism is often being touted as a means of regional balance whereby it is capable of exploiting natural and cultural resources in the peripheral regions which could not be able to industrialize (Sharpley, 2009). Nevertheless, empirical studies indicate that even the concept of tourism development is usually geographically concentrated in those areas that have better infrastructure, accessibility and institutional facilitation (Britton, 1982). Peripheral areas



will not be able to bring tourists and investment and will lead to unbalanced tourism performance and consolidate the inequalities existing in the region. In his political-economy critique of tourism in the Global South, Britton (1982) suggested that in the situations when the external capital and weak local connections prevail, tourism may reproduce the dependency structures. Subtly more recent research acknowledges the possibilities of tourism in terms of regional development but points to the need to develop decentralised planning and local capacity building to achieve fair results. The situation in Nepal has always been such that tourism development has been localized to a relatively limited area with remote provinces still faced with challenges of infrastructural and economic setbacks. This geographical imbalance makes Far Western Nepal a significant study on the issue of tourism development in the region.

### **5. Nepal: Nepal and Economic Development Tourism.**

Since the middle of the twentieth century tourism has been one of the main pillars of the development policy of Nepal. The combination of the Himalayan scenery, diverse culture and religious backgrounds has made tourism to be one of the biggest sources of foreign exchange and jobs in the country. The country of Nepal (2008) highlights the importance of tourism in the rural development and diversification of livelihoods especially in the mountainous areas. Although it is a national issue, the development of tourism in Nepal is not even. Research does not fail to show that the benefits accompanying tourism are always centred in Kathmandu Valley, Pokhara and few fixed areas, whereas other peripheral areas are not very much involved in terms of getting tourist outflow and investments. Limitations in infrastructure shortages, inadequate connectivity and poor institutionalization of remote provinces limit tourism development. The Far Western Province is one of the least researched areas in the Nepali tourism studies. Current literature has provided little empirical data on the economic role of tourism in the region especially as perceived by the local stakeholders. This lack of micro-level, region-specific analysis is a significant literature gap.

### **Research Gap**

A critical analysis of the literature shows that there are a number of gaps. **First**, although the tourism-based growth has been widely researched at the national and cross-country levels, little empirical data concerning the micro-level evidence at the periphery regions is available, especially in Nepal. **Second**, secondary data is important in many studies, thus ignoring the



views of local tourism stakeholders who are the ones who feel the benefits of tourism in their pockets. **Third**, the studies based on specific interest in Far Western Nepal are few though it has strategic value in the regional development planning. The current research paper fills such gaps through an empirical analysis of the role of tourism in Far Western Province economic development in terms of stakeholders. The study is relevant to both the theoretical and policy-oriented literature on tourism development by focusing on a marginal area and utilizing sound quantitative approaches to examine the topic.

### **Theoretical Framework**

The current research is based on tourism led development hypothesis (TLGH) and the regional development theory to understand the contribution made by tourism to the economic growth of Far Western Province of Nepal. The tourism-led growth theory assumes that tourism growth may be considered as a booster to the overall economic growth because it may generate income, employment, foreign-exchange earnings, and investment, as well as trigger inter-sectorial linkages within the economy (Balaguer and Cantavella-Jorda, 2002). Contrary to the classical export-led growth theories, tourism led growth focuses more on the services as a leading development driver, especially in the areas where industrialisation is limited.

Tourism is usually popularised as a potential regional development strategy to peripheral and lagging regions, because the local economies can leverage on their natural, cultural and heritage resources which are immobile (Sharpley, 2009). The regional development theory emphasizes the role of endogenous growth processes, in which the locally based economic activities lead to the generation of income and employment, the reduction of out-migration, and the strengthening of the regional resilience. When properly anchored with the local economies, tourism can facilitate such endogenous growth through empowering the local entrepreneurship with small-scale investment and developing backward and forward linkages with agriculture, transport, and handicrafts.

Nevertheless, the critical political economy approaches warn that tourism-based development is not necessarily inclusionary and equitable. Some scholars like Britton (1982) believe that tourism can strengthen spatial and structural imbalances provided that it is characterized by foreign capital, low levels of local involvement and skewed development of infrastructures.



These lessons indicate that the development impacts of tourism are determined by regional background, institutional strength, and the level of local economy integration.

Based on these views, the current study conceptualises tourism as a possible but conditional agent of the regional economic growth. The analytical framework presupposes that tourism can help improve the economic development through several channels, including the growth of the local business, the creation of new jobs, entrepreneurship, and the expansion of the regional economy, but it also acknowledges that the impact of tourism might be diverse in Far Western Province because of the differences in accessibility, infrastructure, and market integration.

## **Conceptual Model**

According to the theoretical framework, the research will take a conceptualized model where the development of tourism (using stakeholder perception of tourism-led growth, business benefits, entrepreneurship, and foreign-exchange contribution) impacts the development of the economy in Far Western Nepal. Another moderating factor that has been identified by the model is the regional characteristics including the location of the district (Terai and hill and mountain districts), which can influence the level and pattern of the economic effects of tourism.

## **Research Design**

The research takes a quantitative cross-sectional research design, which is based on primary data collected at one time. The survey-based methodology was used to ensure the perceptions and experiences of the tourism stakeholders who have direct involvement in the tourism related economic activities. The design would suit to study the relationships between tourism and economic development where experiment or longitudinal data are not possible.

## **Data Source and Sample Design**

### **1. Data Source**

The data were gathered as primary data through the use of structured questionnaire which aimed at measuring the contributions of tourism to economic development, creation of employment, growth of local businesses and development of the region. The questionnaire covered not only the socio-demographic variables but also the Likert-scale items assessing the



important dimensions of tourism-led development. The instrument was created after a comprehensive search in tourism economics and regional development literature and was consistent with indicators that are usually applied in the research of tourism impacts.

## 2. Size of Sample and Sampling Method.

The research conducted a survey of 385 respondents who included hotel owners, operators and tourism stakeholders in 9 districts in Far Western Province. The sampling method used was a proportionate approach because it made sure that we had the districts that had different degrees of tourism development as well as density of hotels. To have spatial variation in tourism results, both the Terai districts (including Kailali and Kanchanpur) and the hill/mountain districts were incorporated. The chosen sample size is regarded as enough to do statistical analysis and verify the hypothesis and find enough power to identify significant patterns and relationships.

**Table .1: District-wise Distribution of Respondents**

| District         | Frequency  | Percentage (%) |
|------------------|------------|----------------|
| Kailali          | 166        | 43.1           |
| Kanchanpur       | 83         | 21.6           |
| Doti             | 44         | 11.4           |
| Dadeldhura       | 28         | 7.3            |
| Other Districts* | 64         | 16.6           |
| <b>Total</b>     | <b>385</b> | <b>100.0</b>   |

\*Includes Achham, Bajura, Bajhang, Darchula, and Baitadi.

## Measurement of Variables

### 1. Dependent Variable

The economic development is the dependent variable, which is operationalised in this study by the perceptions of the respondents towards:

- Tourism-led economic growth
- Local business benefits
- Regional development



- Entrepreneurship promotion
- Share of foreign-exchange earnings.

All these indicators represent the perceived contribution of tourism to economic development of the region.

## **2. Independent Variable**

Independent variable is the tourism development, which is determined by measuring the stakeholder evaluation of tourism activity, tourism potential and economic impacts caused by tourism. The paper does not consider tourism as an activity but as a process of integrated development.

### **The instrument has high reliability and validity.**

Cronbach's alpha was utilized to determine the internal consistency of the measurement scale and the results obtained were 0.90, which implies high levels of reliability. The construct level alpha values were all greater than the generally accepted level of 0.70 indicating that the items are always capable of measuring the intended constructs.

Several methods were used in ensuring validity. The level of content validity was achieved through the foundation of the questionnaire on existing tourism and development literature. The good internal consistency, consistent pattern of mean scores, and statistically significant patterns between related constructs assisted in construct validity. The face validity was achieved by using good wording and pre-testing the questionnaire to make it clear and relevant to the situation.

## **Analytical Techniques**

As a method of tackling the research problem and testing the hypothesis, the study used a mix of descriptive and inferential statistics methodologies in the form of:

- Percentage and frequency analysis of respondent's profiles.
- Mean score and standard deviation analysis to determine the level of perception.
- One-sample t -test to test deviation of neutrality.
- Estimation of effect size (Cohen's d) in order to evaluate practical significance.
- Pearson correlation test to test relationships between constructs.



- ANOVA and cross-tabulation to determine the variation between the districts.
- Standard statistical software was used to perform all the statistical analysis.

## **Results and Empirical Analysis**

The section draws the empirical results of the study founded on the main survey data, which were gathered on 385 tourism stake holders in nine districts, Far Western Province of Nepal. The organization of the analysis is such that it fulfils the research purpose which is to test the role of tourism in economic development and test the null hypothesis that tourism does not play a significant role in the economic development of a region. Descriptive and inferential statistical measures are used to provide strength and soundness in analysis.

### **1. Socio-Demographic Profile of Respondents**

The socio-demographic features of the respondents offer a significant background on which to discuss the empirical findings. Most of the respondents were men as ownership and managerial positions in tourism and hospitality industry in Far Western Nepal were determined on the basis of gender. The majority of the respondents were those who are in the working age bracket of 25 to 45 years, which implies that the working age people are the major force behind tourism participation. Education wise, higher education exceeded or at least secondary school was reported by a significant percentage of the respondents in the Terai districts implying moderate human capital in the tourism industry. On experience, the majority of the respondents are found to have been involved in the tourism related activities over a period of more than one year, which implies that experience, as depicted in the survey is not dictated by a one-time exposure to tourism-related activities. Respondents are distribution by districts and Kailali and Kanchanpur had higher representation which is based on the real location of tourism infrastructure and hotel facilities in these two districts. Simultaneously, the sample of respondents, who work in hill and mountain sectors, will guarantee that the analysis will reflect the regional diversity in the tourism development experience.



**Table 2: Socio-Demographic Profile of Respondents (n = 385)**

| Variable                  | Category         | Frequency | Percentage (%) |
|---------------------------|------------------|-----------|----------------|
| <b>Gender</b>             | Male             | 276       | 71.7           |
|                           | Female           | 109       | 28.3           |
| <b>Age (Years)</b>        | Below 25         | 38        | 9.9            |
|                           | 25–35            | 147       | 38.2           |
|                           | 36–45            | 112       | 29.1           |
|                           | 46–60            | 71        | 18.4           |
|                           | Above 60         | 17        | 4.4            |
|                           |                  |           |                |
| <b>Education</b>          | Below Secondary  | 83        | 21.6           |
|                           | Secondary        | 92        | 23.9           |
|                           | Higher Secondary | 78        | 20.3           |
|                           | Bachelor & above | 132       | 34.3           |
| <b>Experience (Years)</b> | Less than 1      | 41        | 10.6           |
|                           | 1–5              | 138       | 35.8           |
|                           | 6–10             | 122       | 31.7           |
|                           | Above 10         | 84        | 21.8           |

**Source:** Field Data

**Purpose:** Contextualises stakeholder perceptions and validates sample adequacy.

## 2. Reliability Analysis

Cronbach's Alpha was used to determine the internal consistency of the measurement scale before the substantive analysis was carried out. The total reliability coefficient was 0.90, which means that there was excellent internal consistency. Each of the construct-level alpha values was beyond the recommended value of 0.70, which confirmed that the questionnaire items are good in quantifying the economic development dimensions of tourism. A high level of



reliability helps to build confidence in the later analyses and to be sure that what is being observed is not actually due to measurement error.

**Table 3: Reliability Statistics of Measurement Scales**

| Construct                         | No. of Items | Cronbach's Alpha |
|-----------------------------------|--------------|------------------|
| Tourism-Led Growth                | 5            | 0.87             |
| Local Business & Entrepreneurship | 5            | 0.88             |
| Regional Development              | 4            | 0.91             |
| Economic Development (Overall)    | 14           | 0.90             |

**Source:** Field Data

**Purpose:** Establishes methodological robustness.

### 3. Mean Score and Descriptive Analysis

The analysis of means score was carried out to determine how respondents felt about tourism as a contributor to economic development. Each item was also rated on a five-point Likert scale with low mean scores showing the strongest agreement. The findings reveal that the mean scores in all the significant economic development statements are low, with the minimum being 1.54 and the maximum being 1.78, which means that there is strong agreement that tourism positively impacts region development in Far Western Nepal. The lowest perceived statement was in the case of the tourism potential of Far Western Province indicating that there was almost universal awareness of the unexploited tourism resources in the region. On the same note, high levels of agreement were registered on statements touching on local business benefits, tourism-led growth, creation of employment, and the contribution of foreign exchange.

The values of standard deviation were also less than 1.0 which is considered as reasonable agreement among the respondents despite the variance in the location and experience of the districts. Such descriptive results indicate that there is a preliminary view that tourism is an important contributor to the economic growth of the region.



**Table .4: Mean and Standard Deviation of Key Statements**

| Statement                                        | Mean | Std. Deviation |
|--------------------------------------------------|------|----------------|
| Tourism-led growth is a sustainable pathway      | 1.62 | 0.71           |
| Tourism stimulates other economic sectors        | 1.68 | 0.74           |
| Tourism reduces poverty in Nepal                 | 1.74 | 0.78           |
| Tourism creates direct employment                | 1.59 | 0.69           |
| Tourism generates indirect employment            | 1.66 | 0.72           |
| Tourism employment improves standard of living   | 1.71 | 0.75           |
| Tourism contributes to foreign exchange earnings | 1.65 | 0.73           |
| Tourism encourages entrepreneurship              | 1.78 | 0.81           |
| Far Western State has tourism potential          | 1.54 | 0.67           |
| Local businesses benefit from tourism            | 1.61 | 0.70           |

**Source: Field Data**

#### **4. Hypothesis Testing: One-Sample t-Test**

One-sample t-tests were used to formally test the null hypothesis (H0: Tourism does not significantly influence economic development of Far Western Province of Nepal) to compare the actual mean values with the test value which is a value of neutrality. The findings indicate that the entire economic development indicators related to tourism are significantly different than neutral at the level of significance of 1% ( $p < 0.01$ ). It means that the concurrence between tourist respondents on the role of tourism in terms of its economic value is not by chance but is statistically significant.

**Table .5: One-Sample t-Test Results**

| Index                                | t-value | p-value |
|--------------------------------------|---------|---------|
| Tourism-Led Growth Index             | -29.84  | 0.000   |
| Employment & Poverty Reduction Index | -31.12  | 0.000   |
| Foreign Exchange & Investment Index  | -27.56  | 0.000   |
| Regional Tourism Development Index   | -34.09  | 0.000   |

**Source: Field Data**



**Purpose:** Hypothesis testing (rejects null hypothesis).

### 5. Effect Size Analysis

To determine the real importance of the economic impact of tourism, Cohen's  $d$  was used to determine the effect size. The value of the effect sizes of the major indices was between 1.41 and 1.74 which is considered as large effects based on the standard values. These findings show that the role of tourism in the economic development of Far Western Nepal does not merely hold statistical significance but also has a large substantive value. The size of the effects witnessed further supports the fact that tourism is a development driver as opposed to a fringe economic activity.

**Table .6: Effect Size (Cohen's  $d$ ) for Economic Development Indicators**

| Index                          | Cohen's $d$ | Effect Size |
|--------------------------------|-------------|-------------|
| Tourism-Led Growth             | 1.52        | Large       |
| Local Business Development     | 1.41        | Large       |
| Regional Development           | 1.74        | Large       |
| Economic Development (Overall) | 1.60        | Large       |

**Source:** Field Data

**Purpose:** Demonstrates practical significance.

### 6. Correlation Analysis

Pearson correlation analysis was used to investigate the correlation between some of the key tourism and economic development indicators. The findings reveal that there are high positive relationships between tourism-led growth perceptions and the measures of local business development, entrepreneurship, and local economic enhancement. The values of correlation coefficients were between 0.66 and 0.75, and they were all significant at the 1% level. These observations indicate that regions with a more active tourism activity are also likely to record better economic growth results thus confirming the theoretical premises of the tourism-led development paradigm.



**Table .7: Correlation between Tourism and Economic Development**

| Variables                               | Pearson r | p-value |
|-----------------------------------------|-----------|---------|
| Tourism Activity & Economic Development | 0.72      | <0.01   |
| Tourism & Local Business Growth         | 0.75      | <0.01   |
| Tourism & Regional Development          | 0.66      | <0.01   |

**Source:** Field Data

**Purpose:** Supports tourism-led growth theory.

## 7. District-wide Variation in Tourism Impact

ANOVA and cross-tabulation analyses were done between districts to examine the spatial difference in the economic effect of tourism. The findings denote that there are statistically significant differences in the perceptions of tourism-based development among the districts. Respondents in the Terai districts and specifically Kailali and Kanchanpur districts indicated that they had more economic benefits than the hill and mountain districts. This disparity is an indication of variations in the availability of infrastructure, accessibility, inflow of tourists and integration of the market. Although the hill districts were aware of the potential of tourism, the respondents in the districts raised more concerns about seasonality, low number of tourists, and limited investment. These results demonstrate the concept that the development of Far Western Nepal based on tourism is spatially discriminatory giving an upper hand to certain districts.

**Table 8: ANOVA – District-wise Difference in Economic Development Perception**

| Source            | F-value | p-value |
|-------------------|---------|---------|
| Between Districts | 6.84    | <0.01   |
| Within Districts  | —       | —       |

**Source:** Field Data



**Purpose:** Shows spatial inequality in tourism benefits.

### 8. Composite Index Classification

The composite indexes are also grouped as composite indexes, which are further subdivided into subgroups according to their investment type. Composite indices were further categorized as low, medium and high perception in order to increase the interpretability. The findings reveal that most respondents are in the high-perception category and this portrays that there is a high awareness of the role played by tourism in economic development. Low proportion of respondents indicated low perception and this indicates that there is little scepticism on the potential of tourism development. The classification supports the descriptive and inferential results even more and empirically rejects the null hypothesis.

**Table 9: Composite Index Classification**

| Perception Level | Frequency  | Percentage (%) |
|------------------|------------|----------------|
| High             | 247        | 64.2           |
| Moderate         | 102        | 26.5           |
| Low              | 36         | 9.3            |
| <b>Total</b>     | <b>385</b> | <b>100.0</b>   |

**Source:** Field Data

**Purpose:** Converts abstract indices into interpretable results.

### Summary of Empirical Findings

The empirical evidence in this section is very convincing and consistent that tourism is an important tool of economic development of Far Western Province of Nepal. Several analytical methods are used to support the rejection of the null hypothesis, and they include the analysis of the means, statistical tests of significance, estimation of effect size, and the use of space to compare. Simultaneously, the findings indicate that the benefits of tourism occur in some significant regional inequalities that are determined by the infrastructure, accessibility, and the local economy.



## **Discussion of Findings**

This part explains the empirical results reported in the latter chapter by putting them into context in the wider theoretical and empirical body of research on tourism-led economic development. It critically discusses the contribution of tourism to economic development of Far Western Province of Nepal and how and whether tourism can support the development of an economy and looks at the spatial and structural aspects that influence the outcome of tourism in the periphery areas.

### **1. Tourism as a Driver of Economic Development**

The results of the current research offer good empirical evidence to the tourism-led growth hypothesis according to which the growth in tourism has the ability to revitalize the economic growth via the means of income generation, job creations, and inter-sectoral connection (Balaguer & Cantavella-Jorda, 2002). The results of the t -test are statistically significant and the effect sizes are large, thus demonstrating that tourism is a commonly held driver of economic development in Far Western Nepal. The findings are in line with previous resurgence that focuses on the ability of tourism to boost regional economy especially in regions where there are few industrial substitutes (Sinclair, 1998; Sharpley, 2009). The high consensus on the role of tourism in the business development and entrepreneurship of a local area gives a strong indication that tourism can serve as a source of endogenous economic growth, fostering small and medium enterprises, as well as increasing the amount of local income. Simultaneously, the findings provide the knowledge gap in existing literature, as they prove that the impact of tourism development is not a mere theory, but it is recognised on the grassroots level by the stakeholders who are directly involved in tourism-related processes. This is an empirical case of tourism-led development that is supported by this stakeholder evidence, especially concerning peripheral regions.

### **2. Spatial Differentiation and Uneven Development**

Although the overall contribution of tourism to economic development is valid, the study shows that the spatial distribution of the tourism results across districts is high. The Terai respondents like Kailali and Kanchanpur were always reporting tighter economic benefits than the hill and mountain respondents. This spatial distinction contains greater tendencies of unequal regional development in which infrastructure, access, and market integration is a



decisive element to determine tourism performance. The findings are echoed by the idea of regional development theory and political economy criticism of tourism that states that tourism is likely to become a deterministic movement of accumulation of possible benefits in regions that already have existing benefits and strengthen spatial disparities (Britton, 1982; Hall and Jenkins, 1998). The Terai districts of Far Western Nepal provide more favourable road connectivity, closer distance to urban centres, and more tourist inflow, therefore tourism in these regions creates more significant economic spillovers, whereas hill and mountain districts are burdened by remoteness and seasonality. The findings are thus a warning not to assume that tourism is a standard approach to development. Tourism effectiveness as a strategy of development rather lies in the complementary investments in infrastructure, connectivity, and destination development especially in the lagging regions.

### **3. Tourism, Local Linkages, and Economic Multipliers**

The high positive relationships found between perceptions of tourism as a driver of growth and measures of local business gains and entrepreneurship indicate that tourism has an economic effect on the local area by local linkage influences. These results lend credence to the fact that tourism can play a significant part in the local economic growth when it is incorporated in local supply chains and business, as proposed by Ashley and Roe (2002). Tourism -related demand to Far Western Nepal seems to drive other related industries like agriculture, transport, construction and retail trade. This multiplier effect further supplements the contribution of tourism to the economy in terms of its direct payment to the economy and reaffirms its purpose as an initiator of the overall economic process.

In Far Western Nepal, the demand associated with tourism seems to trigger other related industries like agriculture, transport, building and retail business. This multiplier impact leads to an increase in the contribution of tourism beyond the direct revenue it gives and further substantiates tourism as an activity that drives the larger economic activity. The level of these linkages is however different in different districts depending on the local production capacity and integration in the market. Enhanced backward connection by local sourcing and community-based business might thus boost the developmental effect of tourism in less developed districts.



#### **4. Reconciling Optimism with Structural Constraints**

Despite the finding showing high optimism about the developmental role of tourism, it also shows the existence of structural constraints. Among respondents in hill and mountain areas of concerns were issues regarding seasonality, poor inflow of tourists and poor infrastructural shortages. These are the obstacles that inhibit the ability of tourism to provide sustainable and fair development benefits. This duality is consistent with the school of critical tourism which points out that the gains of tourism are contingent and not automatic (Scheyvens, 2007). Tourism can bring about uneven and weak gains of development without favourable policy frameworks and institutional strength. The current study, therefore, becomes a part of an even deeper insight into tourism-based development and proves that tourism is a potent opportunity as well as a conditional strategy that needs to be planned and governed thoroughly.

#### **5. Implications for Tourism-Led Growth Theory**

Theoretically, the research supports the applicability of the tourism-led growth thesis besides noting its weaknesses. The hypothesis is substantiated by the great statistical and practical importance of the economic impact of tourism. Nevertheless, the spatial differences reflected show that the growth induced by tourism is mediated by geographical features and the institutional environment. This implies that tourism-based growth is not to be conceived as some linear or automatic process, but rather as a context specific development trajectory. It is thus possible to incorporate regional development views into the tourism-led growth theory to strengthen its explanatory strength especially in geographically diversified countries such as Nepal.

#### **6. Contribution to the Literature**

The research contributes to the literature in a number of ways. To start with, it presents some of the infrequent empirical data on Far Western Nepal that has hardly been the subject of prior academic research, despite its developmental importance. Second, the study provides substantiated information regarding the experience of the economic impact of tourism at the local level by means of a primary data collected through stakeholder. Third, this combination of effect size analysis and spatial comparison enhances the methodological soundness of tourism impact studies.



## Synthesis

In general, the discussion shows that tourism is a very important and positive aspect in economic development of Far Western Province, as well as demonstrating what space and structuralism may precondition the role of tourism. Tourism is a possible development strategy, which is not a panacea. Its prosperity relies on the planning, development of infrastructural and policies that are specific to regions, enhancing economic connectivity of the local economies and minimizing spatial imbalances.

## Policy Implications

The policy implications of the empirical findings of the present study have significant meaning on the policy of regional development planning and tourism policy in the Far Western Province of Nepal. The good and significant evidence provided by tourism as a means of economic development indicates that tourism must be placed at the centre of the development strategy in the region and not as a secondary or marginal sector.

**To start with**, it must have region-specific tourism planning. The research indicates a high spatial difference in the economic impact of tourism with the Terai districts having better advantages compared to hill and mountain districts. This shows that harmonised tourism policies will hardly bear equal results. Decentralised and district-based tourism development plans should hence be adopted by the provincial and local governments with focus on infrastructure, destination development, and marketing being the main priority in the lagging districts. The economic boost of tourism especially in the hills and mountains areas can be greatly increased by improving road connectivity, accommodation facilities and basic services in these areas.

**Second**, the results indicate the need to enhance local economic connectivity. Close to the ability of tourism to stimulate local businesses and entrepreneurship is the contribution of tourism to economic development. Tourism enterprises should be encouraged by their policies to source food, handicrafts and services locally, which will enhance the income that is retained locally. The developmental impact of tourism can be further enhanced by supporting the small and medium enterprises with access to credit, training and market connection.



**Third,** development based on tourism requires institutional support and capacity building to maintain it. Although the respondents are well aware of the potential of tourism, the cost of the industry by structure, like seasonality and inadequate investments, keeps undermining future development especially in the remote districts. Service quality, innovation and resilience may be improved by targeted capacity-building programmes to local entrepreneurs, hotel operators and community-based tourism programs.

**Fourth,** inclusive and sustainable development principles should be in line with tourism development strategies. International organisations like the United Nations World Tourism Organization have stressed the fact that the role of tourism in development requires an inclusive governance, local participation, and environmental sustainability. The combination of tourism planning and comprehensive regional development plans, environmental conservation and disaster recovery plans is of special significance in ecologically sensitive areas of Far Western Nepal.

**Lastly,** the research recommends that there should be more coordination between the provincial and local governments. Since Nepal is a federal state, tourism development will need the coordination of many levels of governance. The presence of strong institutional mechanisms and definition of roles and responsibilities can enhance the implementation of the policy and make sure that tourism benefits are more equally distributed throughout the province.

### **Contribution of the Study**

The paper has a number of significant contributions to the tourism and economic development literature. It offers empirical evidence of unique micro-level in Far Western Province in Nepal, an area that has scarcely been studied in the context of tourism. The study methodology enhances the tourism impact analysis with its fusion of descriptive statistics, reliability analysis, inferential statistics analysis, estimation of the effect size, and spatial comparison. Theoretically, it supports the hypothesis of tourism led growth and proves that the impact of tourism development is relative and spatially diversified.

### **Conclusion**

This paper aimed to explore the effects of tourism on the economic growth of the Far Western Province of Nepal using primary data of the tourism stakeholders in the nine districts. The



empirical data above clearly shows that tourism has a great and positive impact in the development of the regional economy. The agreement in the responses of the respondents, significant test results, and large effect sizes in totality support the role of tourism on the growth of local businesses and entrepreneurship, as well as the economic operations involved in the region at large. At the same time, the results show that the gains accruing as a result of tourism are disproportionately distributed, contingent on the variables of infrastructures, space and institutions. Although tourism has potential development as a tool to develop Far Western Nepal, its effectiveness depends on area-specific planning, its involvement in the local economic infrastructure, and supporting policy frameworks.

To sum up, tourism cannot be perceived as panacea or a peripheral venture, but must be approached as a strategic and conditional stimulus of economic growth of the region. Once supported by the inclusive policies, good infrastructures and strong local connections, tourism can become a transformative process of addressing the issue of regional inequalities and supporting sustainable economic growth in the Far Western Province of Nepal.

### **Acknowledgement**

We hereby acknowledge all published and unpublished articles referenced during this work. To ensure the work's reliability, we have used the similarity index and AI checks, which are appropriate based on our knowledge and guidelines. Finally, we sincerely thank all our colleagues, peers, and others who supported us during the study.

### **Conflict of Interest**

The authors declare that there is no conflict of interest.

### **Funding**

None

### **Ethical Considerations**

The ethical considerations were monitored closely in the course of conducting the research. Response rate in the survey was voluntary, and the respondents were aware of the academic objective of the research. Anonymity and confidentiality of responses were guaranteed and no data were collected was used in any other way other than research purposes.



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