Local Perceptions of Risk and Tourism: A Case Study from Rural Nepal

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Abstract

Tourism is commonly perceived as a profitable but risky option for communities in Africa, Asia and South America, due to the unpredictability of international demand and unwanted side effects on the local economy, society and environment. However, little is known about how people in destination communities themselves assess the risks and benefits of tourism relative to other sectors of the local economy. This article explores impacts of tourism on poor, rural host communities in Nepal through the theoretical lens of the vulnerability concept and with a particular focus on risk. As risk is context-dependant and socially constructed, vulnerability assessments should not only be based on categories of shock events that are pre-defined by outsiders, but also cater to people’s perceptions and their local socio-economic context. Due to the volatility of tourist arrivals during the Maoist “People’s War” in Nepal, rural tourism households were more likely to experience income shocks between 1996 and 2006 than non-tourism households. However, the analysis also reveals that in the local perception the benefits of tourism exceed the risk-related cost in the form of income fluctuations. In the notoriously insecure environment of rural Nepal, tourism is thus a preferred livelihood option, despite its ‘objective’ riskiness.

Keywords: Risk, vulnerability assessment, tourism, rural development, Nepal

Introduction

Despite the recent economic crisis, tourism remains one of the most dynamic global industries and one of the largest generators of wealth and jobs (UNWTO, 2009; cf. UNWTO, 2002; WTTC, 2001). High-income countries still hold the greatest absolute market share in
tourism, but the growth of international tourist arrivals and tourism receipts has been particularly dynamic in developing countries in recent decades (Annex 1; UNWTO, 2007). Tourism is not only an avenue for national export and foreign currency earnings; it is also one of the few economic options to harness the development of remote, rural areas. The majority of low-income countries have therefore included tourism in their national poverty reduction strategies (Mitchell & Ashley, 2007). As the UN World Tourism Organization remarks, however, “tourism has not yet been given sufficient recognition by many governments and international development assistance agencies” (UNWTO, 2005, p. 1).

The lack of a straightforward correlation between tourism and development and concerns about the volatility of travel fashions explain the reluctance of policy-makers to promote tourism as a tool for poverty alleviation (cf. Elliot & Mann, 2005). In a similar vein, researchers have exposed a range of unwanted economic, socio-cultural and environmental side-effects of tourism in poor countries, such as the promotion of inequality, inflation, import dependency, over-exploitation of natural resources, environmental damages and cultural alienation (cf. Shakya, 2009, pp. 85-90 for an overview of the debate). However, most local impact studies on tourism and development have two important shortcomings: First, impacts of tourism are typically assessed from the perspective of outsiders, often without due consideration of local values and perceptions. Second, tourism is often judged in isolation rather than in relation to other economic options that are available in a particular local context. Arguably, effective policies for poverty reduction must account for local development potentials and constraints. Development policy must also cater to the aspirations, capacities and perceptions of local residents, which are a function of people’s geographic and socio-
economic context. A sober re-assessment of tourism as a development option, which addresses the aforementioned shortcomings, therefore seems overdue.

This article analyzes impacts of tourism in poor, rural communities of Nepal with a particular focus on risk. Risk is a core element of the vulnerability concept, a theoretical framework that has gained importance in interdisciplinary development research to examine poverty dynamics and welfare implications of shocks and crises at the micro-level (Chambers, 1989; Watts & Bohle, 1993; Alwang, Siegel & Jørgensen, 2001). In the vulnerability concept, risk is looked at from different epistemological positions, as references are made both to the notion of “objective risk” as well as to the social constructionist, “subjective” view on risk in the social sciences (Wisner et al., 2004, p. 49; Sjöberg, Moen & Rundmo, 2004, p. 7; cf. Tversky & Kahneman, 1974; Douglas, 1992; Kasperson & Kasperson, 1996; Lupton, 1999; Krüger & Macamo, 2003).

By looking at two different dimensions of risk, this paper aims at reconciling these contrasting positions. First, people’s exposure to risk in the form of observable hazards, shocks and other harmful events will be analyzed. Second, perceptions of risk and the influence of such perceptions on households’ economic decisions will be attended to. Tourism is related to both dimensions of risk. It may increase households’ de facto risk exposure, as the volatility of tourist arrivals in developing countries could result in income shocks at the local level. Considering that uncertainty of income streams and economic constraints are notorious conditions in remote rural areas of Nepal, tourism could also be regarded as an opportunity for economic diversification and thus contribute to reducing households’ vulnerability to poverty. Therefore, we will not only examine the impact of tourism on risk exposure but also explore how people perceive the riskiness of tourism relative to other economic options.
As one of the poorest countries in the world with a high tourism potential, Nepal has been selected as the geographical setting of the study. Based on empirical evidence from case studies and household survey data, tourism’s impact on risk exposure and the risk perceptions of rural households in Nepal will be scrutinized. The article starts by analyzing the link between risk and tourism in the theoretical framework of the vulnerability concept. Overviews of Nepal and the research methodology are then provided. The empirical findings are presented in detail, leading to some concluding remarks.

Theoretical links between risk and tourism

In a neutral way, risk can be conceived as a probabilistic concept, implying chances of losses as well as chances of gains. Risk refers to the occurrence of an event with a probability \( p < 1 \) as opposed to certainty, i.e. events with \( p = 1 \). Uncertainty is therefore inherent in risk. In contemporary use, risk is commonly defined in its “downside” sense, referring to shocks and contingencies with unwanted, negative effects (Rohrmann, 2006, p. 2; cf. Lupton, 1999).

During the past decades, the emergence of new, potentially harmful technologies such as nuclear energy and the global scope of environmental change have increasingly occupied scholars from a range of academic disciplines with the topic of risk, including psychologists, economists, geographers, sociologists and anthropologists. Different concepts of risk and risk perception reflect different theoretical approaches in these disciplines. These concepts can roughly be grouped as belonging either to a “realist” or a “social constructionist” school of thought (cf. Lupton 1999).

As in the probabilistic definition, the realist paradigm claims that risk objectively exists and can be calculated according to a known or unknown probability distribution (cf. Holton,
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2004). Expert knowledge can thus be contrasted with the subjective understanding of lay people. Typically, the latter’s risk assessment is found to be less accurate and “biased” as compared to the scientific “facts” due to the heuristics that people apply for estimating probabilities (Tversky & Kahnemann 1974). Psychometric studies of risk perception in psychology have aimed at explaining differential risk assessments through a range of quantifiable indicators and cognitive factors (e.g. Slovic, Fischhoff & Lichtenstein, 1982; cf. Sjöberg, Moen & Rundmo, 2004 for an evaluation). Proponents of the social constructionist paradigm stress that risk must be understood and negotiated in any economic, social, cultural and geographic context, making a distinction between expert and lay people’s risk assessments redundant (e.g. Binswanger, 1980; Douglas, 1992; Kasperson & Kasperson, 1996; cf. Lupton, 1999). Scholars from both epistemological positions agree on the fact that people’s risk assessments are inevitably subjective, depending on a range of personal factors such as knowledge, experience, education, gender, culture, social norms, values, beliefs and attitudes.

Despite their obvious influence on people’s welfare and economic decisions, risk and risk perception have only recently been discovered as a topic of development research (Kanbur & Squire, 1999; cf. Morduch, 1994; Sinha & Lipton, 1999; Fafchamps, 2003; Dercon, 2005a; 2005b). Risk is also a core element of the vulnerability concept, which is increasingly being used as a theoretical framework to analyze people’s susceptibility to fall into and remain in poverty (Chambers, 1989; Watts & Bohle, 1993; Alwang, Siegel & Jørgensen, 2001). Risk is inherent in the vulnerability concept in a dual way, reflecting both the notion of “realist risk” and the social constructionist view: Risk exposure, i.e. exposure to shocks and harmful events such as natural hazards or violent conflicts directly reduces people’s welfare and can thus be regarded as a cause of poverty. In addition, people’s individual risk

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assessment influences their economic decisions. Poor and vulnerable people might thus feel forced to pursue a low-risk, low-income portfolio of economic activities, because they could not afford to engage in more profitable but risky options (cf. Wood, 2003; Ligon & Schechter, 2003; Thorbecke, 2004). *Risk management capacity*, i.e. the ability to spread livelihood risk by maintaining a diverse income portfolio, is therefore an important determinant of people’s vulnerability to poverty.

Crisis and shock events of a global scope, such as the SARS pandemic or the 09/11 terrorist attacks in the USA, have also prompted *tourism research* to focus more strongly on risk. The literature emphasizes the volatility of international tourism demand due to exchange rate fluctuations, economic crises, market trends, conflicts, terrorism, natural hazard events and pandemics (Vorlaufer, 1996; Sönmez, 1998; Neumayer, 2004; Reisinger & Mavondo, 2005; cf. Shakya, 2009). Risk assessment and crisis management are thus important concerns for the tourism industry (Beirman, 2003; Blake & Sinclair, 2003; ECLAC, 2003; Glaesser, 2003; Wilks & Moore, 2004; Eugenio-Martin, Sinclair & Yeoman, 2005; Laws, Prideaux & Chon 2007; Henderson, 2007, Ritchie, 2009; Pforr & Hosie, 2009). More recently, the contentious relationship between tourism and climate change has received international attention (Becken & Hay, 2007; UNWTO & UNEP, 2008; cf. Gössling & Hall, 2006).
Developing countries are likely to suffer from tourism demand fluctuations. They are particularly susceptible to shock events such as natural disasters and violent conflicts, as well as to the negative consequences of climate change and global economic crises (cf. UNDP 2004). This is exemplified by international tourist arrivals in Nepal. Apart from the general upward trend of tourism development since the first recording of tourist arrivals in 1962, Figure 1 also shows marked fluctuations, especially in the period between 1999 and 2007. International arrivals continued to grow even during the early years of the Maoist “People’s War” (1996-2006) and reached a preliminary high in 1999. They then sharply declined until 2002. It can be assumed that these fluctuations were caused by a combination of national and international events, such as the 09/11 attacks, the consecutive “war on

Considering the relatively small share of tourism in the national economy of many developing countries, such shocks may not necessarily translate into macroeconomic impacts (cf. Annex 1). Again, this is exemplified by Nepal, where the travel & tourism economy was estimated to contribute 6.4% to national GDP and 5% of total employment in 2007 (WTTC, 2007). Moreover, the quick recovery of international tourist arrivals after the Asian financial crisis (1997-1999), terrorist attacks (e.g. the Bali bombings of 2002), the SARS pandemic (2003) and the Indian Ocean Tsunami (2004) is in stark contrast to the common perception of tourism as a particularly volatile option for developing countries (Prideaux, 1999; Darma Putra & Hitchcook, 2006). In Nepal, tourist arrivals increased to a historical peak in 2007, only one year after the official end of the “People’s War” (Figure 1).

Even if the volatility of tourism demand may not result in macroeconomic shocks with long-term consequences, local consequences of demand fluctuations have to be expected. Kareithi (2003) and Calgaro (2005) are among the few existing studies who analyze local impacts of tourism decline. In the sense that it is subject to demand fluctuations, tourism can thus be regarded as a “risky” (i.e. volatile) industry. At the same time, it has been observed that developing countries have absolute and comparative advantages in tourism due to their abundance of cheap labor and immobile primary resources (Frentrup, 1969; Harrison, 1992; Vorlauffer, 1996). Noting that almost all developing countries are characterized by vast socio-economic and geographic disparities, scholars suggest that tourism could be a vehicle for the development of remote, rural areas (Wiggins & Proctor, 2001; Mihalić, 2002; Telfer, 2002). Empirical studies confirm the higher incidence and persistence of poverty in rural areas of...
developing countries as compared to urban areas (cf. Ashley & Maxwell, 2001; Devereux, IFAD, 2001; Bird et al., 2002; Dercon 2006). Food insecurity, health problems, natural hazards and harvest failures illustrate that people in rural areas are also exposed to high levels of risk and hold relatively low stocks of assets in the national comparison. Therefore, rural households are generally more vulnerable to poverty than their urban counterparts. Under such endogenous conditions of risk, economic involvement in tourism should not be regarded exclusively as a welfare risk due to the likelihood of demand fluctuations. Instead, tourism could also be considered as a chance to escape rural poverty. This dualistic role of tourism—exposing households to the risk of income shocks, while at the same time offering the prospect of economic benefit—will be examined in the following paragraphs by looking at two particular aspects: First, the impact of tourism on households’ risk exposure will be analyzed. Second, we will assess whether the choice (or rejection) of tourism as a livelihood option is motivated by households’ concern with risk.

**Geographical context**

The Federal Democratic Republic of Nepal, a least developed country with considerable tourism potential, was chosen as the geographical setting of the research. With 95% of the poor living in rural areas, poverty in Nepal is primarily a rural phenomenon (CBS et al., 2005). Poverty not only differs between rural and urban areas; the poverty headcount rate is considerably lower in the tarai, the narrow lowland stretch in the South, as compared to the Himalayan ranges, which cover the hill and mountain belts of Nepal. Socio-economic data for Nepal’s mountain belt indicate a “geographical disadvantage” of this extremely remote and isolated region (cf. World Bank, 2006). The case of Nepal also confirms the relatively high vulnerability faced by the population of rural areas as compared to the urban population. Nepal’s extreme topography, climate and hydro-geological setting explain the
high risk of natural hazards such as floods, slides, drought and epidemics, which particularly affect farm households in rural areas. The “People's War” of Maoist insurgents killed more than 13,000 people between 1996 and 2006 and particularly affected remote rural areas of Nepal. Access to crucial assets such as education, health, financial markets and physical infrastructure also depends largely on geographical location. This is not only due to the “natural remoteness” of Nepal's rural areas, but also due to the chronic political instability and the government’s inability to effectively address regional imbalances. Despite an impressive overall decline of absolute poverty in Nepal during the past decade, people in remote rural areas have thus remained vulnerable to poverty in a socio-economic context of limited opportunity (cf. Shakya, 2009; World Bank, 2006).

Notwithstanding its relatively small macroeconomic importance, tourism plays a significant role in the local economy of Nepal's rural destinations, where trekking tourism, mountaineering and wildlife excursions take place. To protect Nepal’s remarkable biodiversity, which is a result of the large variation in altitude and climatic regions, 19% of the country’s area have been designated as national parks, nature reserves and conservation areas. The Himalayan ranges and the wilderness areas of Nepal’s tarai belt are also important assets of the Nepalese tourism industry. This is exemplified by Langtang National Park and Chitwan National Park, two of Nepal’s major tourist destinations. Langtang National Park is the third most important destination for trekking and mountaineering tourism in Nepal, whereas tourist activities in Chitwan National Park focus on nature-based activities such as jungle safaris and bird watching. With annual declines of up to 50% during the “People’s War,” international tourist arrivals at both destinations have fluctuated considerably between 1996 and 2006 (MCTCA, various years). Chitwan district and Rasuwa district (Langtang
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National Park) were thus selected as “critical cases” to explore the links between tourism and risk during the “People’s War” (1996-2006). These two districts represent different topographical and ecological zones of Nepal, namely the tarai lowlands (Chitwan) and the hills and mountains (Rasuwa). Together, the districts cover altitudes from 110 to 7245 m and represent a wide range of Nepal’s topographical, ecological and socio-cultural diversity (MCTCA, UNDP & TRPAP, 2005; 2006).

Research Design and Methodology

To identify risk-related impacts of tourism, a quasi-experimental research design was chosen for the empirical study. A “treatment group” of tourism households could thus be compared with a control group of non-tourism households. Tourism households are defined as households that are economically involved in tourism, e.g. as lodge/hotel owners, restaurant owners, hotel employees, guides or porters. Quasi-experiments differ from “true” experimental research designs in that the independent variable is not manipulated by the researcher to induce the treatment effect (Schnell, Hill & Esser, 1995, p. 220). Evidently, such a manipulation would not have been possible in the framework of a tourism impact study. Likewise, randomization appeared inappropriate to form parallel groups of a sufficient size. Instead, one tourism community and a matching non-tourism community were chosen in each district. Sauraha in Chitwan district and Thulo Syabru in Rasuwa district were selected as tourism villages. Secondary literature, qualitative interviews and observations confirmed that both villages had undergone considerable socio-economic transformation due to tourism over more than three decades (cf. Hauck, 1996 on Thulo Syabru; Kunwar, 2002 on Sauraha). The non-tourism villages in both districts were chosen for their structural similarity with the respective tourism villages, e.g. with regard to their topographical setting, ecological zone, accessibility, poverty prevalence and ethnic composition. With differing
shares of tourism households thus being the main distinguishing variable, the pairs of tourism and non-tourism communities in Chitwan and Rasuwa were found to be sufficiently matching for the purpose of treatment-control group comparisons.

Table 1: Composition of Sample across Comparison Groups

<table>
<thead>
<tr>
<th></th>
<th>Total Sample: 259 Households (100%), thereof:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourism households (treatment group)</td>
<td>107 (41%)</td>
</tr>
<tr>
<td>Non-tourism households (control group)</td>
<td>152 (58%)</td>
</tr>
<tr>
<td>Households in tourism villages</td>
<td>128 (49%)</td>
</tr>
<tr>
<td>Households in non-tourism villages</td>
<td>131 (51%)</td>
</tr>
<tr>
<td>Households in Rasuwa district (mountains)</td>
<td>121 (47%)</td>
</tr>
<tr>
<td>Households in Chitwan district (lowlands)</td>
<td>138 (53%)</td>
</tr>
</tbody>
</table>

Source: Modified from Shakya, 2009, p. 177.

The resulting sample consists of 259 randomly selected households from the four villages. With 41% tourism and 58% non-tourism households, the sample represents sufficient covariation on the independent (tourism) variable and allows for comparisons between the treatment and the control group. The selection of the two geographically distinct districts aims at revealing contextual dimensions of risk, allowing for further comparisons between households in the Nepalese mountains and in the lowlands (Table 1). Based on a comprehensive questionnaire, standardized household surveys were conducted in the four villages in 2006 and the data entered into a SPSS database. Statistical tests were conducted on a range of risk-related variables, with the significance level determined at \( p \leq 0.05 \). Comparisons between the treatment and the control group could thus reveal causal
connections between tourism and risk. To control for third-variable effects (i.e. effects unrelated to tourism) and also to cross-validate and explain the research findings, community case studies were conducted in each village. The case studies draw on the village sub-sample of the household data and the findings from key informant interviews and collective appraisal tools such as focus group discussions. The findings from the quantitative analysis are presented in the following sections. Selected results of the community case studies complement the discussion of the findings in the concluding section of this paper (cf. Shakya, 2009 for detailed results of the qualitative analysis).

Tourism and risk exposure

We start the empirical exploration by analyzing the impact of tourism on risk exposure, i.e. households’ experience of shock events in the reference period. Corresponding to the “realist” notion of risk, households were asked in the survey whether they had experienced natural hazard shocks, economic shocks or crime/violence-related shocks between 1996 and 2006. Although households were asked to also report events that were not pre-defined in the questionnaire, these three categories covered most of the shocks that households had experienced in the reference period. The definition of shocks in the survey was restricted to sudden, unanticipated events with an immediate, adverse impact on households’ welfare (Shakya, 2009).

Table 2 lists the shock events that were most frequently reported by the survey respondents. Both tourism and non-tourism households reported that they had experienced natural hazards and economic shocks in the reference period. Income shocks as a consequence of “tourism decline” in the period 1996-2006 were mentioned by many (34%) of the tourism households. In contrast, 26% of the non-tourism households had perceived “harvest failure” as an economic shock. To test whether the connection between tourism
involvement and the experience of shock events is statistically significant, we looked separately at the three categories of risk. Table 2 suggests that tourism households were relatively more affected by natural hazards than non-tourism households. To conduct a chi-square test on this hypothesis, a dummy variable relating to the experience of natural hazard shocks was cross-tabulated with a variable specifying households as being involved in tourism or not. The test result is valid at $p=0.063$, thus leading to a rejection of the hypothesis as statistically insignificant. Likewise, there is no significant connection between households’ tourism involvement and the experience of crime/conflict-related shocks. In contrast, a significant association between tourism involvement and the experience of economic shocks was detected (Table 3). Statistically significant at $p=0.05$, households involved in tourism were more likely to experience an economic shock between 1996 and 2006 than the non-tourism households. It can be followed that the tourism households were exposed to a higher level of “objective” risk than the non-tourism households.
**Table 2:** Experience of shock events, 1996-2006 (% of households, multiple answers)

<table>
<thead>
<tr>
<th>Category of shock</th>
<th>Event</th>
<th>Tourism households</th>
<th>Non-tourism households</th>
<th>All (n = 259)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural hazard shocks</td>
<td>Flooding</td>
<td>21</td>
<td>14</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Wildlife damage</td>
<td>23</td>
<td>12</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Drought</td>
<td>20</td>
<td>13</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Landslide</td>
<td>5</td>
<td>12</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Hailstorm</td>
<td>3</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Economic shocks</td>
<td>Harvest failure</td>
<td>17</td>
<td>26</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>Tourism decline</td>
<td>34</td>
<td>3</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Loss of job</td>
<td>6</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Crime-/Maoist-related shocks</td>
<td>Theft</td>
<td>8</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Extortion</td>
<td>2</td>
<td>4</td>
<td>3</td>
</tr>
</tbody>
</table>

Table 3: Experience of economic shocks, 1996-2006 (% of households, dummy variable)

<table>
<thead>
<tr>
<th></th>
<th>Tourism households (n = 107)</th>
<th>Non-tourism households (n = 152)</th>
<th>All (n = 259)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experienced at least one</td>
<td>46</td>
<td>34</td>
<td>39</td>
</tr>
<tr>
<td>economic shock</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Experienced no economic</td>
<td>54</td>
<td>66</td>
<td>61</td>
</tr>
<tr>
<td>shock</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

$U = 3.970; p = 0.046$. The test is valid (0 cells have an expected count < 5).


Apart from looking at households’ perception of “realist risk” in the form of shocks, we also analyzed subjective assessments of development trends in the period 1996-2006 as a control indicator and loose proxy for welfare variability (cf. CBS et al., 2005). In distinction from shocks, trends refer to changes that unfold slowly, or persist over a longer period of time. Unlike shocks, which are often perceived as “disastrous,” the consequences of trends may not become immediately visible. Moreover, trends induce a process of adaptation and often take place unnoticed. Although trend assessments are obviously influenced by a large number of variables, they may at least partly reflect the welfare consequences of risk-related events. Thus, to find out whether households had actually perceived a welfare decline in the reference period—due to their exposure to shocks or for other reasons—we constructed a development trend index. At various stages in the survey, households were asked in which direction their personal situation had changed between 1996 and 2006 with regard to a particular welfare dimension, such as housing, health, education, income and security.
Responses were dummy-coded, “0” meaning “no improvement or worse,” and “1” meaning that the household had experienced an improvement in the past decade with regard to the specific welfare dimension. The index was constructed by adding up answers to the respective survey questions. The higher the index score (value range: 0-7), the more positive a household assessed development trends in the observation period. For instance, a trend index value of 3 implies that the household perceived a positive trend with regard to three welfare dimensions (e.g. housing, income and education), whereas it perceived stagnation or a negative trend on the remaining dimensions (household amenities, health, financial situation, security).

Considering that tourism households had been relatively more exposed to economic shocks between 1996 and 2006, we would expect that they would also judge development trends in the same period as being more negative as compared to the non-tourism households. However, the opposite holds true; comparing their current situation with the one in 1996, tourism households assessed their situation in 2006 more positively as compared to non-tourism households (Table 4). The contingency coefficient $C$ and Spearman’s rank correlation coefficient $\rho$ both suggest a moderately strong, statistically significant connection between the variables.
Table 4: Assessment of Development Trends, 1996-2006 (% households)

<table>
<thead>
<tr>
<th>Trend Index Value*</th>
<th>Tourism households (n = 107)</th>
<th>Non-tourism households (n = 152)</th>
<th>All (n = 259)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 1</td>
<td>1</td>
<td>13</td>
<td>9</td>
</tr>
<tr>
<td>1</td>
<td>0</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>4</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>3</td>
<td>13</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>4</td>
<td>6</td>
<td>12</td>
<td>9</td>
</tr>
<tr>
<td>5</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>6</td>
<td>25</td>
<td>17</td>
<td>20</td>
</tr>
<tr>
<td>7</td>
<td>36</td>
<td>22</td>
<td>28</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

* Value range: 0-7; a value of 7 represents the most positive assessment.

$C = 0.325, p = 0.000; \rho = 0.257; p = 0.000.$

Source: Shakya 2009, p. 301.

To further explore the causal link between tourism and development trends, we take a closer look at the responses of the tourism households only. The overwhelming majority (93-100%) of the tourism households in the survey sample arrives at positive assessments with regard to the seven dimensions of the trend index. For instance, all responding tourism households state that their household amenities, health/nutrition and education had improved between 1996 and 2006. Moreover, 84-92% of the tourism households attribute this positive assessment to their economic involvement in tourism. Concluding so far, tourism households...
have noted greater overall improvements of their living conditions between 1996 and 2006 than non-tourism households and causally attribute these improvements to their economic involvement in tourism. This is despite the fact that they had experienced more economic shocks than the non-tourism households in the same period.

**Risk perceptions in the local context**

As claimed in the literature, the presence of risk may force people to pursue a low-risk, low-income portfolio of economic activities, since “the ‘poor’ will not take the entrepreneurial risk required to enter into particular profitable activities” (Dercon, 2005b, p. 12; cf. Morduch, 1995). The above findings suggest that tourism is a profitable, albeit risky livelihood opportunity in the context of rural Nepal. To find out whether risk aversion influences households’ decision to engage in tourism, the causal links between risk perception and involvement in tourism shall be examined. Due to a lack of non-farm economic activities, *mixed farming* is the economic mainstay for the majority of the population in rural Nepal as well as in the case study communities (Shakya, 2009; cf. CBS et al., 2005; World Bank, 2006). Households were therefore asked in the survey how they rate the riskiness of tourism relative to the riskiness of farming. Across the sample, the share of respondents who consider tourism as more risky and those who do not are almost equal. However, the majority of non-tourism households (59%) perceive tourism as less risky than farming, as compared to only 40% of tourism households (Table 5). This finding, which is statistically significant, challenges the common association of poverty and risk aversion. Both the farm households and the tourism household are evidently not risk averse, as they pursue livelihood opportunities that they overwhelmingly judge as risky.

To further explore this finding, we asked non-tourism households about their *reasons for not being involved in tourism*. Table 5 summarizes the most important responses.
Evidently, the perception of tourism as being risky plays a subordinate role in people’s decision to engage or not to engage in tourism. Only 16% of the non-tourism households mention concerns with risk as a reason for not being involved in tourism. More importantly, they regard their lack of skills, money and labor as restrictions that keep them from getting involved in tourism. Correspondingly, 80% of non-tourism households reported that they would be interested in getting involved in tourism (Shakya, 2009, p. 306). In accordance with findings from other studies, this result indicates that it is not risk aversion per se, but rather households’ investment constraints, which keep them from engaging in new, potentially risky livelihood opportunities (Shakya, 2009; cf. Fafchamps, 2003; Binswanger, 1980).

**Table 5:** Risk perception of tourism versus farming (% of households)

<table>
<thead>
<tr>
<th>“Tourism is more risky than farming”</th>
<th>Tourism households (n = 107)</th>
<th>Non-tourism households (n = 152)</th>
<th>All (n = 259)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>60</td>
<td>41</td>
<td>49</td>
</tr>
<tr>
<td>No</td>
<td>40</td>
<td>59</td>
<td>51</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

$U = 8.475; p = 0.004$. The test is valid (0 cells have an expected count < 5).

Table 6: Reasons for not being involved in tourism (non-tourism households only; n = 148, multiple answers)

<table>
<thead>
<tr>
<th>Reason</th>
<th>Frequency</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Lack of skills</td>
<td>90</td>
<td>61%</td>
</tr>
<tr>
<td>2. Lack of money</td>
<td>77</td>
<td>52%</td>
</tr>
<tr>
<td>3. Lack of labor</td>
<td>39</td>
<td>26%</td>
</tr>
<tr>
<td>4. Lack of tourists</td>
<td>33</td>
<td>22%</td>
</tr>
<tr>
<td>5. Too risky</td>
<td>24</td>
<td>16%</td>
</tr>
<tr>
<td>6. No interest</td>
<td>17</td>
<td>11%</td>
</tr>
</tbody>
</table>


Finally, we asked the tourism households about their perception of tourism's profitability. While 60% of tourism households in the sample consider tourism as more risky, almost all (91%) regard it also as more profitable than farming. This is despite the fact that the survey took place in 2006, i.e. under the impression of the tourism decline during the “People’s War” (Shakya, 2009). In the perception of households that have already had some experience with it, tourism is thus a preferred livelihood strategy due to its profitability and despite its perceived riskiness. In contrast, the majority of non-tourism households perceive tourism as less risky than farming. However, the latter stay in farming because of the perceived constraints that keep them from engaging in tourism (Table 6). The findings suggest that risk perception might not be a strong predictor of households’ economic portfolio; households rather choose their income portfolio based on a rational assessment of personal capacities and expected utility. Both the perceptions of the tourism and the non-tourism households...
underline that tourism is overwhelmingly regarded as an *opportunity* rather than a potentially harmful risk.

**Conclusions**

It has been the aim of this article to analyze the causal connections between risk and tourism from the perspective of destination communities in developing countries. Noting that there are different theoretical approaches to risk, it was observed that the relationship between tourism and risk is ambivalent; tourism exposes developing countries to the risk of income shocks but also creates economic opportunities. This proposition was examined on the basis of household survey data from rural Nepal. The empirical findings suggest that the notion of *realist risk*, as expressed in pre-defined categories of shock events (e.g. the recording of natural hazard events or income shocks in a specified period), is insufficient to judge people’s risk exposure and vulnerability to poverty. Despite the “objective” risk of welfare fluctuations as a result of temporary tourism decline, tourism households in rural Nepal have noted greater livelihood improvements during the “People’s War” as compared to the non-tourism households. The research findings challenge conventional risk and vulnerability assessments that focus on pre-defined categories of risk in order to identify “vulnerable” population groups. The *social constructionist* view seems more appropriate to explain households’ economic behavior under conditions of risk, as people assess economic opportunities and risks in relation to their individual capacities and livelihood context. The assessment of local risk perceptions reveals that households in the survey sample refrain from tourism not because they judge tourism as risky, but because they realize their limited capacity to benefit economically from tourism.
Complementary research findings from the community case studies give ample proof that tourism has a wide range of positive livelihood impacts, many of which go beyond monetary benefits. Tourism in rural Nepal was found to improve households’ risk management capacity by offering a viable option for livelihood diversification (cf. Ellis, 2000). Moreover, tourism has considerably expanded households’ economic prospects by improving education, health, physical amenities and financial assets. By improving households’ risk management and coping capacity, tourism has contributed to reducing households’ vulnerability to poverty (cf. Shakya, 2009 for details). These vulnerability-reducing impacts of tourism are particularly important in the geographical context of Nepal’s remote mountain regions, which hardly offer alternatives for economic diversification beyond farming. As any other business activity, tourism is neither without risk nor without unwanted impacts. However, there is no reason to dismiss tourism due to the risk of income shocks, if the concerned communities themselves are willing to bear this risk. As has been stressed in this paper, risk and uncertainty are part of “normal life” in many parts of the developing world, especially in remote rural areas. Policy-makers and scholars must realize that poor people are not helpless victims but rational decision-makers who make the best of their limited opportunities. National development planners and the international aid community should support people in the endeavor to realize their full potential, rather than excluding them from exploiting their limited opportunities.

To make sure that poor people in remote mountain areas are getting their share of the global “tourism cake,” policies should be targeted towards promoting new destinations and innovative, “pro-poor” tourism products (cf. Ashley, Goodwin & Roe 2001). Creation of physical and socio-economic infrastructure (e.g. transport infrastructure, financial markets, health-related and educational facilities) is another important precondition not only for
tourism, but for any economic development in remote, rural regions. Finally, other potential income sources besides farming and tourism—e.g. non-timber forest products or labor migration—should be explored to better insure rural households against livelihood risks and promote their socio-economic advancement.

Tourism is not possible everywhere and therefore is not a panacea against poverty and vulnerability. It is hoped, however, that policy makers and scholars will give up their reluctance to promote tourism as a tool for poverty alleviation. Many developing countries possess outstanding tourist attractions but are in dire need of know-how, investment and access to international tourist markets to better exploit their tourism potential. In the Nepal Himalaya and other remote regions of the world, many tourism assets are lying idle, while existing tourism activities and infrastructure are concentrated on a few regions only. This results in localized overcrowding and other unwanted side-effects, as noted by the “critical” literature on tourism and development. Actively promoting and steering tourism development towards new products and regions may thus not only spread the vulnerability-reducing effects of tourism, but also enhance visitors’ travel experience.

References


Local Perceptions of Risk and Tourism: A Case Study from Rural Nepal


MCTCA, UNDP & TRPAP (Tourism for Rural Poverty Alleviation Programme) (2005):


WTTC (World Travel & Tourism Council) (2001): World Travel & Tourism Council Year 2001
TSA Research. Overview and Definitions.
http://www.wttc.travel/bin/pdf/original_pdf_file/


Annex 1: Economic contribution of tourism in selected countries (2007)

<table>
<thead>
<tr>
<th>Country</th>
<th>T &amp; T Demand Market Share</th>
<th>GDP Contribution</th>
<th>Employment Contribution</th>
<th>Export Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of total world demand</td>
<td>T &amp; T Industry GDP (% of total GDP)</td>
<td>T &amp; T Economy GDP (% of total GDP)</td>
<td>T &amp; T Economy Jobs ('000) of total employment</td>
</tr>
<tr>
<td>World</td>
<td>100</td>
<td>3.6</td>
<td>10.4</td>
<td>231,222</td>
</tr>
<tr>
<td>LDCs:¹</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bangladesh</td>
<td>&lt;1</td>
<td>1.5</td>
<td>3.9</td>
<td>2,024</td>
</tr>
<tr>
<td>Cape Verde</td>
<td>&lt;1</td>
<td>10.9</td>
<td>19.2</td>
<td>16</td>
</tr>
<tr>
<td>Cambodia</td>
<td>&lt;1</td>
<td>9.3</td>
<td>20.3</td>
<td>1,108</td>
</tr>
<tr>
<td>Maldives</td>
<td>&lt;1</td>
<td>31.1</td>
<td>61.2</td>
<td>57</td>
</tr>
<tr>
<td>Nepal</td>
<td>&lt;1</td>
<td>2.7</td>
<td>6.4</td>
<td>500</td>
</tr>
<tr>
<td>Senegal</td>
<td>&lt;1</td>
<td>3.3</td>
<td>7.6</td>
<td>157</td>
</tr>
<tr>
<td></td>
<td>T&amp;T</td>
<td>GNI</td>
<td>GNI ppp</td>
<td>TPV</td>
</tr>
<tr>
<td>------------------</td>
<td>------</td>
<td>------</td>
<td>---------</td>
<td>------</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>&lt;1</td>
<td>3.3</td>
<td>6.6</td>
<td>65</td>
</tr>
<tr>
<td>Tanzania</td>
<td>&lt;1</td>
<td>4.1</td>
<td>9.4</td>
<td>680</td>
</tr>
<tr>
<td><strong>HICs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>5</td>
<td>4.1</td>
<td>10.9</td>
<td>3,349</td>
</tr>
<tr>
<td>Germany</td>
<td>7</td>
<td>2.9</td>
<td>10.0</td>
<td>4,261</td>
</tr>
<tr>
<td>Spain</td>
<td>4</td>
<td>6.8</td>
<td>18.2</td>
<td>4,046</td>
</tr>
<tr>
<td>United States</td>
<td>24</td>
<td>3.8</td>
<td>10.2</td>
<td>15,040</td>
</tr>
</tbody>
</table>

T&T = Travel & Tourism.

1 Least Developed Countries, according to UN classification (UNCTAD 2007).

2 High-Income Countries, according to World Bank classification (World Bank 2007).

Data Source: WTTC 2007 (estimates based on tourism satellite account methodology.)