



In Focus: Government's Annual Policy & Program, Budget ADDRESSING DEMAND AND SUPPLY IMBALANCE IN NEPAL'S HOTEL INDUSTRY



Photo: Social Media

Nepal's hotel industry has strong potential and diverse capabilities, but low demand raises concerns about its long-term sustainability. Due to the expansion of the hotels and conversion of the apartments into hospitality establishments, the hotel industry capacity has reached a further level in Nepal's hospitality history. The establishments and the investment halted by the COVID-19 pandemic slowly begin returning the hotel industry to its peak capacity.

According to hospitality pioneer and Former President of HAN Mr. Yogendra Shakya, Founder & Chairman of ACE Hotels & Resorts, Nepal operates as a free-market economy where officials acknowledge the mismatch between hospitality supply and market demand, entrepreneurial freedom is safeguarded, and financial risk rests solely with hotel owners. Tourism growth has spurred significant investment from private and institutional sources, yet the rapid escalation of hotels calls for a strategic shift. Without careful reconfiguration, overinvestment risks market saturation, threatening long-term sustainability. Diversifying tourism investments and grounding development in market analysis are essential to align growth with actual demand.

From the perspective of demand, Mr. Yogendra Shakya highlights deficient infrastructure as one of the major challenges to meeting tourism demand. While hotel capacity is sufficient, Nepal lacks competitive pricing, safety standards, and reliable transport. Hazardous roads, risky air travel, and poor security discourage mainstream tourists, with Nepalese airlines & airports still on international safety watchlists. Though adventure seekers accept these risks, comfort-focused travelers remain largely untapped. Unlike global models with government-led national carriers, Nepal's aviation lacks centralized oversight, driving up costs and lowering profitability. To attract diverse, higher-

value tourists, Nepal must improve safety and connectivity and implement strategic hotel regulations aligned with market realities.

According to government data, Nepal has over 142,223 establishments, including hotels, resorts, homestays, hostels, restaurants, and banquet halls, operating across all provinces with domestic and foreign investment. The industry attracts NPR 326 billion annually, generates NPR 152,7 billion in output, and employs over 400,000 people. With ongoing hotel construction, total capacity is projected to reach 3.5 million by 2025/26. However, concerns are rising about whether this growing capacity is being effectively utilized.

Currently, only about one-third of hotel capacity is utilized, with 2024 tourist arrivals just over 1.1 million. Exact figures for Indian road travelers and domestic tourists are unavailable, but they are estimated to make up about half of air arrivals. While NRNs with foreign passports and homestay customers are included in these numbers, they typically stay with family and contribute less to the tourism economy. With a capacity for 3.5 million tourists, the industry struggles at 33% occupancy, barely breaking even. This mirrors the 2002–2006 insurgency downturn when major hotels shut down. Without prompt action, history could repeat itself.

The upcoming national budget, fiscal planning, and government policy formulation must prioritize the tourism sector, with special attention to the hotel industry. Tailored policies and support programs are essential to stabilize occupancy rates, stimulate demand, and ensure the long-term viability of this critical pillar of Nepal's economy. Achieving full capacity in the hotel industry will directly contribute to its profitability and prosperity while simultaneously driving the country's economic growth.

HAN'S COMMITMENT TO HOSPITALITY SKILL DEVELOPMENT

In Nepal, the hotel industry aims to elevate service quality and is focused on a steadfast commitment to excellence and precision, creating memorable stays that leave guests fulfilled. To realize this vision, the Hotel Association Nepal (HAN) has been diligently empowering individuals through comprehensive vocational and technical training programs for the past several years. These targeted, short-duration programs are designed to build core competencies in hospitality operations, culinary arts, and interpersonal communication while also offering specialized technical training for various hotel roles. Tailored for participants with no prior industry experience, this educational initiative combines theoretical classroom instruction with hands-on practical training.

Mr. Ram Sapkota, General Manager of the Airport Hotel, provides insight into the hotel's structured training and skill development program. The approach blends foundational knowledge with advanced techniques, emphasizing hands-on experience and direct mentorship from seasoned professionals. Trainees rotate through departments—front office, F&B service, housekeeping, and culinary arts—to discover their strengths and interests. Performance is regularly evaluated and rewarded, while interpersonal communication and client engagement are integral to the curriculum. Beyond in-house training, participants gain exposure through external events, broadening their industry perspective. Looking ahead with close collaboration with the National Academy for Vocational Training (NAVT) HAN is introducing modern, innovative modules to further enhance professional readiness.

The approach enables trainees to quickly

apply their skills in revenue-generating roles while addressing workforce development needs and supporting the growth of Nepal's hospitality sector. The continuous professional development of existing hospitality personnel is essential, alongside the recruitment of passionate, skilled individuals who are dedicated to maintaining high standards of service excellence and ensuring guest satisfaction. To address the growing need for skilled professionals in hospitality and other key industries, several strategic projects have been launched to ensure private sector leadership in the exercises.

ELMS: Advancing Labor Market Intelligence Through Strategic Collaboration

Extending its focus beyond tourism to agriculture and construction, the Employer-led Labor Market Secretariat (ELMS) project addresses critical gaps in labor market intelligence. This pioneering initiative has fostered collaboration among Nepal's leading employer federations, including CNI, FCAN, FNCCI, FNCSI, and HAN. Despite challenges posed by the COVID-19 pandemic, ELMS has achieved significant milestones such as the creation of a national Labor Market Information (LMI) portal, the identification of high-demand occupations, and the development of standardized occupational benchmarks.

STLRP: Sustainable Tourism for Livelihood Recovery Project

For individuals in the tourism sector severely affected by COVID-19, the Sustainable Tourism for Livelihood Recovery Project (STLRP), jointly implemented by NTB and UNDP, provided vital short-term employment alongside long-term recovery planning. Beyond immediate relief, the initiative also focused on strengthening sector-



related data management, promoting digitalization, and formulating a comprehensive tourism recovery strategy to ensure sustainable resilience and growth.

ENSSURE: Bridging Skill Gaps for an Inclusive Workforce

Recognizing the need for skill development among both current employees and newcomers, the Enhanced Skills for Sustainable and Rewarding Employment (ENSSURE) project focused on strengthening workforce capabilities through partnerships with the private sector. With a strong emphasis on inclusion, ENSSURE prioritized women and marginalized communities, aiming to improve their employability and access to quality, sustainable employment in the basis of “learn & earn” concept.

The hotel and hospitality sector thrives fundamentally on exceptional guest experiences and meaningful human connections. As Nepal continues to position itself as a prominent destination on the global tourism map, its reputation in the hospitality landscape will be shaped by this commitment to outstanding service. Recently, to initiate skill development and regulate labor market, the fifth National Labour and Employment Conference has been held.

Hotel Association Nepal has developed a comprehensive array of e-learning video designed to enhance the skill and knowledge in the dynamic world of hospitality even in remote areas.

Driving Workforce Innovation: Insights from the Fifth Labour Conference

The primary focus of the Fifth National Labour and Employment Conference was the development of entrepreneurship and the cultivation of a skilled workforce through the promotion of the private sector. The conference aimed to generate policy recommendations to stimulate domestic employment, with an emphasis on innovative job creation strategies that move beyond outdated methods. In line with the conference’s objectives, a memorandum of understanding was signed between the National Academy of Vocational Training and ten employer organizations including HAN to offer skill training programs and guarantee employment, highlighting the critical need to align workforce development with market demands. As a result of the conference, there are plans to update the the Labor Act, Foreign Employment Act, make changes to vocational training institutions, and improve how the Social Security Fund and Foreign Employment Board operate.



BEYOND NATIONAL PRIORITY STATUS: HOTELS CALL FOR MANUFACTURING'S FACILITIES

As the hotels of Nepal are classified as a National Priority Industry in the Schedule 9 of Industrial Enterprises Act, 2076 through the recent ordinance by the Government of Nepal, marking a significant milestone for the country’s hospitality sector. Through this, the Government of Nepal has officially recognized star hotels and eco-resorts as vital components of Nepal’s economic landscape. This distinguished status has been the result of years of dedicated advocacy and unwavering commitment to strengthening the hotel industry over the past decades. This landmark decision has elevated the industry to unprecedented heights, reflecting the government’s strong commitment to supporting sectors recognized as vital to the nation’s economic growth and progress. The central question emerges:

what benefits will hotels gain following the significant declaration?

The Industrial Enterprise Act, 2076 under Clause 29 Additional facilities and concessions; sub-clause ‘e’ has that *the Government of Nepal may, on recommendation of the Board and by a notification in the Nepal Gazette, provide additional facilities and concessions to those industries of national priority or uses maximum amount of domestic raw materials, labor and skills or inventing technology or goods within Nepal.*

Likewise, the clause 31 with Provision of land on lease stipulates: (1) *If an industry of national priority needs a land under ownership of the Government for its operation, the industry may make an application, as prescribed, setting out the area of the land required*

for it, to the industry registration body for the provision of the land and sub-clause (2) If an application is received under subsection (1), the industry registration body shall submit the matter to the Ministry to further necessary action on the provision of land required for the industry.

The decision has unlocked the door for hotels' expansion and further boosted the business confidence; however, this alone cannot spur the expected growth and development within the hotel industry. The hospitality establishments should benefit from broadened opportunities for growth, capital infusion, and operational facilitation. The hotel industry is dynamic, people-oriented, and a much cost-incurring sector. For some years, hotels need affirmative discrimination for their sustainable development and to drive progress across all operational areas.

Hotel industry therefore call to the government of Nepal to offer the status and recognition so that the hotels will prosper with the help of the given concessions, incentives, facilities as offered to the manufacturing industry. This will really prepare a ground for sustainable and resilient hospitality sector. Once hotels as efficient and resilient enough, this undoubtedly strengthens the tourism landscape of the country with destination development, strong contribution in national economy, employment creation and multifaceted effects in various sectors.



FUELLING GROWTH IN NEPAL'S HOTEL INDUSTRY: INSIGHTS FROM ASHISH KUMAR, GM, HYATT REGENCY KATHMANDU

Mr. Ashish Kumar, General Manager of Hyatt Regency Kathmandu, shared his enriching experiences in Kathmandu, where he highlighted the deep-rooted tradition and warmth that define Nepal's hospitality. Nepal's hospitality industry is poised for growth, driven by the deep-rooted tradition and warmth of its people, which are key to the sector's success. He notes that as travelers become more environmentally conscious, hotels must adapt by integrating eco-friendly practices.

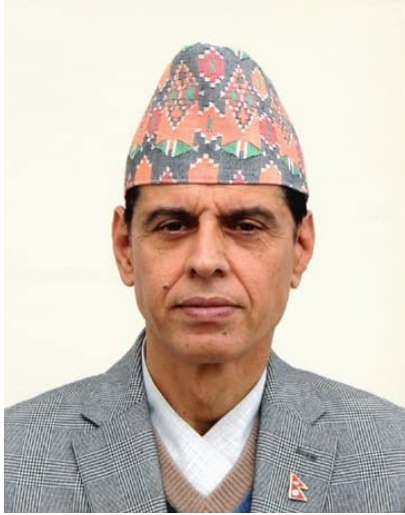
Expressing a profound appreciation for Nepal's cultural richness and resilient tourism sector, Mr. Ashish defines both as fundamental to the hospitality industry's progress. However, the industry faces several challenges, including infrastructure development, seasonal tourism fluctuations, and manpower scarcity. While Nepal's breathtaking landscapes and diverse culture attract visitors year-round, accessibility to remote destinations remains an issue. Identifying and tackling these challenges, he stresses that collaborative growth and innovative solutions are key to ensuring the sector's continued progress and success.

SOURCE: THE KATHMANDU POST

https://kathmandupost.com/money/2025/03/12/nepal-s-hospitality-industry-is-geared-for-growth?fbclid=IwY2xjawjXZx1leHRuA2FibQlxMAABHYRPu_UAIXCUUy5QbjoRTZMrXnMsruZr0Snt8mEfpqibaPXe9h_8H0530g_aem_50rxx1iM4dqFCR04oD6-iv



CHALLENGES AND STRATEGIC INSIGHTS FROM TOURISM SECRETARY MR. BINOD PRAKASH SINGH



Ministry of Culture, Tourism & Civil Aviation Secretary Mr. Binod Prakash Singh recently offered valuable insights into Nepal's tourism industry, highlighting the precarious situation entrepreneurs face within this vital economic sector. His candid reflections shed light on the challenges that need urgent attention. The Ministry of Tourism is deeply attuned to the concerns

of industry stakeholders. Acknowledging that the tourism sector faces a range of complex challenges, the Ministry is committed to a thorough analysis and the development of strategic solutions.

Budget Planning and Industry Representation

In preparation for the budget, the Tourism Ministry organizes programs bringing together key representatives from across the tourism landscape. These discussions generate crucial recommendations that influence the budget formulation process. Through this platform, the voices of industry leaders directly impact funding priorities. However, the financial gap remains concerning industry proposals for around 2,000 projects that require an estimated 35 billion rupees, while the Ministry's actual budget allocation stands at just 4 billion rupees.

A Truthful Assessment of Tourism Professionals

Providing a sharp assessment of those operating within the tourism sector, Secretary Mr. Singh suggests that they either lack full awareness of the industry's inherent challenges or show remarkable resilience by continuing their work despite knowing the difficulties. He emphasized that many professionals in the sector, whether by choice or necessity, persist in their endeavors despite the significant financial constraints, infrastructure deficiencies, and regulatory hurdles.

Nepal's Aviation Infrastructure and Regulatory Reforms

Secretary Mr. Singh also highlighted a significant infrastructure issue, stating that "We aspire to attract 2-2.5 million tourists annually, yet we lack the necessary infrastructure to accommodate such numbers." Insufficient airports and aircraft are major barriers to achieving this goal. Nepal Airlines Corporation, in particular, shows limited potential for short-term improvement.

In addition, the implementation of value-added tax (VAT) across the tourism sector presents serious operational challenges. Domestic airlines, for example, face a disproportionate VAT, significantly higher than in competing international destinations.

This burdensome tax structure impedes efforts to attract tourists, generate employment, and ensure business sustainability. Further complications arise from the performance of Chinese aircraft, which incur substantial annual maintenance costs of 220 million rupees and require an additional 320 million rupees for operational deployment, exacerbating the strain on Nepal's aviation sector.

SOURCE: BIKASH NEWS (<https://www.bikashnews.com/2025/03/19/546095.html#>)

ELEVATING NEPAL'S AVIATION INFRASTRUCTURE: INVESTMENTS AND GROWTH IN REGIONAL AIRPORTS

Aviation networks are vital for tourism growth, enabling seamless connectivity and allowing travelers to explore diverse attractions. Nepal's efforts to improve its aviation infrastructure have shown positive results, especially at Gautam Buddha International Airport, where passenger traffic has grown. General Manager Mr. Pratap Babu Tiwari reported that the airport served 13,181 passengers between January and March 20 this year. Operations were temporarily halted due to severe winter weather, but following the resumption of services in November 2024, the airport successfully processed a total of 8,157 passengers by the end of the year. He further stressed the importance of following the aviation-related directives set by the Council of Ministers to ensure smooth operations.

Himalaya Airlines has started operating the first commercial flights from Pokhara International Airport, marking a significant milestone for the city's international connectivity, starting from March 31, 2025.

The airfare for the Pokhara-Lhasa route has been set at NPR 35,196, while the Lhasa-Pokhara fare is NPR 27,970. Round-trip tickets will cost NPR 54,975 for Pokhara-Lhasa-Pokhara and NPR 51,037 for Lhasa-Pokhara-Lhasa. The launch of regular international flights from Pokhara is expected to boost tourism and enhance Nepal's air connectivity with China.

Likewise, Tribhuvan International Airport will now open for 18 hours daily. Earlier, the airport was open for only 14 hours daily due to ongoing maintenance work.

SOURCE: ONLINE KHABAR AND THE ANNAPURNA EXPRESS





BANDIPUR PROMOTIONAL PROGRAM ORGANIZED

Hotel Association Nepal together with Hotel Association Nepal-Gandaki Province jointly organized an interaction program with the stake holders, hoteliers and government authorities for the very success of Visit Bandipur 2025.

HAN President Mr. Binayak Shah stressed that necessary infrastructure should be developed, new destinations should be identified, and Bandipur must come up with promotional campaign for the effective conduction of the campaign.

At a program, Mr Surendra Bahadur Thapa, Chairperson of Bandipur Rural Municipality said that the Visit Bandipur

2025 has been organized with the vision of creating a prosperous and culturally vibrant Bandipur through responsible tourism, while conserving and developing its natural and cultural heritage. He further said that goal is to increase tourist arrivals to 200,000 annually.

In the program President of HAN Gandaki Province Mr. Hari Sharma Gaire, President of Tanahun Chapter, Gorkha Chapter & Bandipur unit, representatives of Restaurant and Bar Association of Nepal (REBAN), Tourism Development Committee, Bandipur Chamber of Commerce and Industry has

NTB-UNDP SIGN AGREEMENT



Nepal Tourism Board has signed MoU with United Nations Development Project to launch the Sustainable Tourism Project (STP) worth \$5 million as an initiative to enhance tourism infrastructure, skill the workforce, and create around 2,500 jobs in this sector.

In line with Nepal's 16th Plan, Sustainable Development Goals and Vision of Tourism Decade (2025-2035), this collaboration is expected to foster inclusive and environmentally sustainable tourism, contributing to Nepal's development.

Mr. Binod Prakash Singh, Secretary, Ministry of Culture, Tourism and Civil Aviation said that the project will help promote a sustainable, inclusive and diverse tourism sector with the help of efficient workforce required in this industry.

LUXURY TOURISM EXPANDING GLOBALLY

As per the report, the size of the worldwide luxury travel industry is assessed to be at USD 1.38 trillion in 2023, and it is projected to expand at a compound annual growth rate of 7.9% between 2024 and 2030. The market is expanding as a result of wealthy tourists spending more money to visit uncharted areas and have lifetime experiences.

Additionally, the rising trend of micro trips and the rapidly expanding tourism sector across the globe have been boosting the market growth. Nepal is going to gain much from this increasing trend due to opening of Luxury Hotels in the country. The conducive environment coupled with an investment ecosystem and effective branding is a prerequisite for the same.





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INDIA'S TOURISM TRENDS AND IMPACT ON NEPAL

India's tourism dynamics exert a multifaceted influence on Nepal's visitor economy through both direct and indirect channels. This interconnectedness arises from their shared borders and significant cross-border tourist movement, creating a strong correlation between their respective tourism sectors. Data indicates that India welcomed 1.10 million international visitors in December 2023, which declined to 1.02 million in December 2024—a 6.6% year-over-year drop. This decline underscores ongoing recovery challenges stemming from the pandemic, especially when compared to December 2019's robust 1.22 million arrivals.

Looking at the annual figures, India received 9.65 million foreign tourists in 2024, a slight increase of 1.4% from 9.52 million in 2023. However, this remains 11.6% below the 10.93 million visitors recorded in 2019, reflecting the sector's struggle to regain pre-pandemic momentum. Although there has been incremental growth from 2023 to 2024, India's tourism industry is still navigating a slow recovery. These fluctuations in India's tourism performance are likely to have ripple effects on Nepal's visitor trends, influencing both current and future patterns of tourism flow between the two nations.

PANDEY ELECTED PRESIDENT OF REGIONAL HOTEL ASSOCIATION NEPAL CHITWAN



Om Prakash Pandey was unanimously elected President of the Regional Hotel Association Nepal Chitwan at its 20th annual general meeting and tenth session.

Similarly, Gunaraj Thapaliya has been elected Vice-President, Mahesh Khanal as General Secretary, Sangam Ghimire as Secretary, Babita Chaudhary as Treasurer,

and Ranjan Bhandari as Joint Treasurer.

Similarly, Gopi Chand Sapkota, Krishna Prasad Dahal, Dilip Mali, Subhas Chandra Gautam, Ganesh Kumar Dahal, and Deepak Adhikari were elected as Executive Committee Member.

President Mr. Binayak Shah congratulated newly elected President & Team and also attend the AGM of the Regional Hotel Association Nepal Chitwan

INTERNATIONAL VISITOR ARRIVALS MARCH 2025 **121,687**



TOP 10 Source Market Countries



Regionwise Distribution of Arrivals



Source : Department of Immigration
 Prepared by : Nepal Tourism Board
 * This report is based on preliminary monthly raw data provided by Department of Immigration

