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**Working Paper**

## Social Capital, Tourism and Socio-Economic Transformation of Rural Society: Evidence from Nepal

IEE Working Papers, No. 208

**Provided in Cooperation with:**

Institute of Development Research and Development Policy (IEE), Ruhr University Bochum

*Suggested Citation:* Shakya, Martina (2014) : Social Capital, Tourism and Socio-Economic Transformation of Rural Society: Evidence from Nepal, IEE Working Papers, No. 208, ISBN 978-3-927276-94-9, Ruhr-Universität Bochum, Institut für Entwicklungsforschung und Entwicklungspolitik (IEE), Bochum

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**MARTINA SHAKYA**

SOCIAL CAPITAL, TOURISM AND SOCIO-  
ECONOMIC TRANSFORMATION OF RURAL  
SOCIETY

Evidence from Nepal

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**IEE**

Institut für  
Entwicklungsforschung und  
Entwicklungspolitik

Institute of  
Development Research and  
Development Policy

**WORKING PAPER**

VOLUME | 208

BOCHUM 2014



**IEE WORKING PAPERS**

**NUMMER 208**

Martina Shakya

**SOCIAL CAPITAL, TOURISM AND SOCIO-ECONOMIC  
TRANSFORMATION OF RURAL SOCIETY  
EVIDENCE FROM NEPAL**

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© Institut für Entwicklungsforschung und Entwicklungspolitik  
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E-Mail: [ieeoffice@ruhr-uni-bochum.de](mailto:ieeoffice@ruhr-uni-bochum.de)  
[www.development-research.org](http://www.development-research.org)

ISSN 0934-6058  
ISBN 978-3-927276-94-9

## **Abstract**

Tourism has a wide range of impacts on the economy, the natural environment and the people living in a destination. In the context of poor, rural societies, many scholars have emphasized the positive impacts of tourism on local economic growth. Concern has been voiced, however, about the social and cultural impacts of tourism due to observed changes in local norms, values and behaviour. This paper proposes the concept of social capital to analyze the social and cultural effects of tourism in Nepal. Empirical evidence from a household survey and four village case studies reveals a decline of bonding social capital and an increase in bridging social capital in the concerned communities. Tourism can exacerbate local conflicts and reduce the relevance of indigenous self-help mechanisms. At the same time, tourism has promoted the formation of new institutions and offers opportunities to develop and expand hierarchical, extra-community networks, which are an important precondition for upward economic mobility. Highlighting the interdependencies and trade-offs between economic advancement and changes in social capital, the paper calls for a more pragmatic and less normative academic debate on the social and cultural impacts of tourism in developing countries.

Keywords: Social capital, tourism, poverty, risk, rural development, Nepal.



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## 1 INTRODUCTION

Tourism is a complex social and economic phenomenon, involving the travellers, the host community and the routes and means by which they are brought together (Wall/Mathieson 2006, p. 17). Tourism has a wide range of impacts on the local economy, the natural environment and the people living in a destination. The quality and strength of such impacts not only depends on demand-side factors, such as volume of tourists, length of stay, attractions and activities. Supply-side factors, i.e. the geographical, social and economic characteristics of the destination equally influence the magnitude of desired impacts as well as the host community's capacity in dealing with undesired impacts of tourism (cf. Wall/Mathieson 2006, p. 65, Harrison 1992a, p. 12). Impacts of tourism—both positive and negative—are strongly felt in agrarian communities due to their relatively small size and population, their low degree of economic diversification and the cultural distance between the host community and the visitors.

Based on evidence from four villages of Nepal, this paper explores the causal connections between tourism and social capital in poor, rural communities of developing countries. Defined briefly as “the norms and networks that enable people to act collectively” (Woolcock/Narayan 2000, p. 226), social capital is increasingly regarded as a source of human welfare, complementing conventional asset categories such as natural, physical and human capital (Grootaert 1998, p. 1). Undeniably, tourism has an influence on social structures in rural societies: “With new sources of income, some groups have gained in status and others have lost ground. On occasions, a decline in the extended family and the influence of male elders has been noted. Pre-existing social and political institutions have been given new roles, old trading relationships have been confirmed and new ones established” (Harrison 1992b, p. 31). The concept of social capital is thus proposed as a framework to analyze impacts of tourism on social structures and to assess the consequences of such impacts for the socio-economic transformation of rural society. After a literature review on the social and cultural impacts of tourism in the next section, the concept of social capital and its fields of application will be elaborated. The geographical setting of the study and the research methodology are described in following sections. Drawing on quantitative and qualitative evidence from a household survey and village case studies, the results of the empirical investigation in Nepal are presented in detail. The paper ends with a brief summary of the main findings and some conclusions.

## 2 SOCIAL AND CULTURAL IMPACTS OF TOURISM

As one of the most dynamic economic activities and the world's largest generator of wealth and jobs, tourism has been hailed as a "pathway to prosperity" for poor, developing nations (UNWTO 2002, p. 9, WTTC 2007, p. 3, Mitchell/Ashley 2007, p. 1, cf. Mitchell/Ashley 2010). Through the creation of income and employment, tourism can contribute to poverty alleviation and national economic growth. Many tourist attractions are located in rural peripheries such as coastal, mountain and desert areas. Tourism can, therefore, be an important source of income for remote, rural communities and may contribute to reducing regional economic imbalances (Wiggins/Proctor 2001, Ashley/Maxwell 2001).

Whereas the economic impacts of tourism are in most cases regarded as desirable, it is more difficult to arrive at general judgements of the environmental and social effects of tourism (cf. Harrison 1992b, Vorlaufer 1996, Mihalič 2002, Telfer/Sharpley 2008). For instance, the expansion of tourism into ecologically fragile areas can lead to local environmental problems such as water shortages and forest degradation (cf. Southgate/Sharpley 2002, Vorlaufer 1996, pp. 209-214, Wall/Mathieson 2006, pp. 187-195). However, tourism can also promote environmental awareness and provide incentives for a more sustainable use of the natural resource base, if local communities are economically rewarded for nature conservation, e.g. through the generation of tourism-related jobs and income from protected areas (Boo 1990, Kiss 1990, Wells/Brandon 1992, Telfer 2002, p. 145).

Even more difficult to judge are the *social and cultural implications* of tourism. Especially in the ideological context of dependency theories in the 1970s and 1980s, empirical studies have suggested that tourism in developing countries might promote inequality and social tension (cf. Harrison 1992b, pp. 20-22). Some authors have claimed that tourism changes local power structures and "crowds out" traditional economic occupations related to agriculture, farming and local craftsmanship (Turner/Ash 1975, Esh/Rosenblum 1976, Coppock 1978, De Kadt 1979, Bachmann 1988, Graburn/Jafari 1991). Allegedly, such changes are induced by the injection of cash income and the creation of tourism jobs in poor, rural communities.

As tourism extends market relationships and the formal, "modern" sector deep into the rural hinterland, previously less influential, even discriminated social groups may gain economic strength as a result of employment in and/or cash payments from tourism (Harrison 1992b, p. 20). This is exemplified by the *Sherpa*, an ethnic group residing in Nepal's Everest region. The Sherpa have not only benefitted from tourism economically but also earned national and international reputation for their outstanding mountaineering skills (cf. Coppock 1978, Nepal 2005). Tourism can also contribute to changing *gender relations* (cf. Gurung 1995 for a Nepalese case study). Women in traditional rural societies gain in social status by getting economically involved in tourism. However, their social position might also deteriorate due to tourism, if they get involved in low-status jobs or exploitative forms of tourism (Cohen 1988, p. 372, Vorlaufer 1996, p. 203). Tourism could also perpetuate the pre-existing power balance and further increase inequality, if indigenous entrepreneurs and tourism employees emerge from the wealthy and influential segments of rural society (Nepal 2005, p. 222). If outside investors move in and take

ownership of the local tourism industry, this may result in divisions of the business community between local (small-scale) and “metropolitan” (large-scale) interests.

Some authors have suggested that the *commoditization* (or commercialization) of local cultures changes the “meaning of cultural products and human relations, making them eventually meaningless” (Cohen 1988, p. 372; cf. Harrison 1992b, pp. 20-22, Vorlauffer 1996, p. 202). Cultural commoditization has been observed in many parts of the developing world, for instance with indigenous art production moving from “functional traditional art” towards commercial production of souvenirs for the tourist market (Harrison 1992b, pp. 20-22; cf. Vorlauffer 1996, pp. 202-203, Hashimoto 2002, p. 215). In areas of high tourist intensity, tourism has thus been associated with a “degradation” or “degeneration” of indigenous cultures, ultimately leading to a “loss” of cultural identity (Vorlauffer 1996, pp. 202-203). On the other hand, tourists’ interest in local cultures has been found to strengthen or revive cultural practices and art forms, reinforcing cultural pride and in some cases even leading to an invention of new cultural institutions (Harrison 1992b, pp. 21-22, Vorlauffer 1996, p. 203). Especially in former colonies, the personal interaction between affluent tourists and poor host societies has been described as an asymmetrical relationship due to the cultural and economic distance between the two parties. This could lead to “alienation” and inferiority feelings among the host population (Bachmann 1988, p. 190, Kunwar 2002, pp. 105-106). Likewise, young people’s imitation of the behaviour and life-style of Western tourists, including their ethical and moral codes has been attributed to tourism (Bachmann 1988, p. 191). The transfer of “Western” values and patterns of behaviour to members of the host society has become known as the *demonstration effects* of tourism (Harrison 1992b, p. 30, Hashimoto 2002, p. 220).

Implicit in many studies on the social and cultural implications of tourism is the evaluation of such effects as negative and, hence, undesirable. There can be no doubt that tourism has an impact on the local society, culture and economy; this includes the possibility of impacts such as crime, prostitution or conflict, which are undesirable by most moral standards. However, normative judgements with regard to social and cultural change are inherently contentious, especially if they are made by outsiders such as researchers, policy-makers or tourists (cf. Harrison 1992b, p. 31; cf. Coppock 1978, p. 68). The explicit or implicit view that the social and cultural features of poor societies are “weak and in dire need of protection from outside” should thus been dismissed as “patronizing”:

“There is no *inherent virtue*, for example, in the extended family, which may as often be a source of repression and autocratic (and patriarchal) control as one of security and freedom. Similarly, the superiority of palm wine over Western beers, or of traditional dress over blue jeans, may be affirmed but, ultimately, is a matter of taste.” (Harrison 1992b, pp. 30-31, emphasis in original).

In conclusion, the social and cultural impacts of tourism on rural societies defy any universal judgement (Vorlauffer 1996, p. 201). Consequently, a more pragmatic and less normative debate on the social impacts of tourism is needed. The concept of *social capital*, as further elaborated in the following section, is proposed in this paper as a framework for the analysis of social and cultural impacts of tourism among poor, rural societies.

### 3 THE CONCEPT OF SOCIAL CAPITAL

Researchers from various academic backgrounds have noticed that regional and cross-national differences in economic performance could not be explained exclusively by economic factors such as natural, physical, financial and human capital. It was found that economic action in modern industrial society was “embedded in structures of social relations” and could not be separated from these (Granovetter 1985, p. 481). Personal relationships, networks, associations, institutions, norms and values were found to influence the economic success of a region or country by promoting trust, information-sharing, political power and cooperative action. Over time, scholars have suggested various definitions and conceptual frameworks to analyze what we now popularly refer to as “social capital” (Feldmann/Assaf 1999, p. 1, cf. Bourdieu 1986, Coleman 1988, Putnam 1993, Woolcock 1998).

According to Portes (1998, p. 3), *Pierre Bourdieu* (1996) provided the first systematic contemporary analysis of social capital. Defined as “the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition,” his conceptualization of social capital focuses on the benefits that accrue to an individual by virtue of participation in groups (Portes 1998, p. 3). According to Bourdieu, social networks are “not a natural given and must be constructed through investment strategies oriented to the institutionalization of group relations” (Ibid.). This claim has been confirmed by empirical studies (cf. Ostrom 2000, p. 177, Grootaert/Van Bastelaer 2001, p. 20). In this regard, social capital resembles other forms of capital, which are generally defined as “the stock of productive resources built up by human action by investing current income streams, and so increasing future benefits from a given input of labour or raw material” (Scoones 1998, p. 17).

The economic reasoning behind the consideration of social capital as an asset is that “pure non-cooperative action would lead to inferior outcomes and hence that greater social capital leads to better outcomes by facilitating greater cooperation” (Narayan/Pritchett 1997, p. 3). Social assets—e.g. claims on family and community members, mutual support mechanisms and social networks—can also provide informal insurance in situations where formal insurance arrangements are absent or inaccessible, as common in many parts of the developing world (cf. Swift 1989, p. 11). Unlike other forms of capital, however, social capital “can only be acquired by a group of people and requires a form of cooperation among them” (Grootaert 1998, p. 8).

Tab. 1: Typology of Social Capital

Dimension of Social Capital:		Characteristics:	Manifestations:
Scope:	Micro-level	Horizontal, interpersonal (intra-group), “bonding,” homogeneous groups, mostly informal	Local associations, networks, interest groups; associated norms and values
	Meso-level	Vertical, inter-group, “bridging,” hierarchical, heterogeneous groups, informal or formal	Regional associations/networks of personal and/or corporate actors (mostly groups)
	Macro-level	Social and political environment, most formalized institutional relationships	Political regime, rule of law, court system, civil and political liberties
Form:	Structural	Relatively objective, externally observable, informal or formal	Networks and other social structures, supplemented by rules, procedures and precedents
	Cognitive	Subjective, intangible, informal	Shared norms, values, trust, attitudes, beliefs
Channel:	e.g. Cooperation Information-sharing Collective action	Reciprocal or unidirectional; informal or formal; reduction of transaction costs (information costs, negotiation costs, enforcement costs)	Networks, associations, copying

Source: own compilation, based on Grootaert/Van Bastelaar 2001, pp. 4-6.

In the 1990s, the World Bank’s “Social Capital Initiative” (SCI) brought the notion of social capital into the mainstream of development research and development policy. In the context of the SCI, the social capital of a society has been defined as “the institutions, the relationships, the attitudes and values that govern interactions among people and contribute to economic and social development” (Grootaert/van Bastelaar 2001, p. 4). This view marks an important departure from conventional development theories that had treated “traditional” social relations as obstacles rather than assets in the development process (Woolcock/Narayan 2000, p. 227). Concluding from literature reviews and more than 20 conceptual papers and empirical studies, the synthesis report of the SCI recommends an analytical distinction between the scope, forms and channels of social capital (Grootaert/van Bastelaar 2001, pp. 4-6; Table 1).

With regard to *scope*, social capital can be analyzed at the micro, meso and macro levels. *Micro*-level analyses of social capital are commonly associated with the seminal contributions of *Robert Putnam*, who examined the role of civic associations in Italy and the USA (Putnam 1993, 1995, cf. Grootaert/van Bastelaar 2001, p. 4). Putnam was also among the

first authors to note that social capital was not necessarily beneficial but “can also be put to bad purposes,” by perpetuating social inequalities and discrimination against non-members of a group or network (Putnam 1993, p. 42). In contrast to the rather narrow focus of Putnam on horizontal, interpersonal associations with a homogeneous membership, *James Coleman* introduced a vertical, “*meso*” perspective of social capital. He expanded the concept by also including hierarchical, inter-group associations of heterogeneous actors (Coleman 1990).

The notion of micro- and meso-level social capital corresponds to the distinction between “bonding” and “bridging” social capital (cf. Woolcock/Narayan 2000, p. 227): Putnam’s focus on horizontal, micro-level institutions is commonly referred to as *bonding social capital*. It includes networks between homogeneous, intra-community groups of people with a common interest and strong social cohesion, such as among family and friends. Correspondingly, vertical institutions such as extra-community networks have been described as *bridging social capital*. Empirical studies suggest that bridging social capital can have positive effects on growth, access to markets and upward economic mobility of rural households. In contrast, bonding social capital has often been linked to poor and destitute households that are just “getting by” (Beugelsdijk/Smulders 2003, pp. 2-3, Woolcock/Narayan 2000, pp. 232-233, cf. Esman/Uphoff 1984). As mentioned earlier, however, horizontal/bonding social capital in the form of mutual help institutions and social networks seems particularly suited to work as an informal insurance mechanism for the poor (cf. Swift 1989, p. 11).

Finally, a *macro* view on social capital has traditionally been in the focus of economists such as *Mancur Olson* and *Douglas North*. Analyzing the “social and political environment that shapes social structure and enables norms to develop,” they have argued that formalized institutional relationships had a critical effect on the rate and pattern of economic development (Grootaert/van Bastelaar 2001, p. 5, cf. Olson 1982, North 1990). Micro, meso and macro level social capital are often coexistent and may work in complementary ways. Moreover, some substitution between different forms of social capital is possible. For instance, “a strengthening of the rule of law that results in better-enforced contracts may render local interactions and reliance on reputations and informal ways of resolving conflict less critical to enterprise development” (Grootaert/van Bastelaar 2001, p. 5).

The SCI’s conceptual framework further distinguishes between two *forms* of social capital. While *structural social capital* refers to tangible manifestations which are observable in most cases, it is difficult to analyze and evaluate intangible forms of *cognitive social capital*, such as norms, values and trust. Finally, social capital can be analyzed by the *channels* through which it impacts upon a society’s economic development. For instance, the transmission of knowledge can be facilitated by trust and information-pooling within horizontal associations, resulting in reduced transaction costs and, hence, income increases (Grootaert/van Bastelaar 2001, p. 6, cf. Ostrom 1990, Narayan/Pritchett 1997). Like other assets, social capital can be accumulated or lost. It can also, to some degree, substitute other assets and change their productivity (cf. Woolcock 1998, p. 186).

The vigour of social capital as a conceptual framework for *rural development studies* is obvious, considering the wide range of possible applications. For instance, Nobel Prize laureate *Elinor Ostrom* has emphasized the strengths of collective action regimes for the management of common-pool resources, such as forests, rangelands, fisheries and water

management schemes (Ostrom 1990, 2000). Empirical studies on the role of non-government organizations (NGOs) and grassroots organizations in the development process are another popular branch of social capital-related research (Hirschman 1984, Esman/Uphoff 1984, Uphoff 1993). Group-based savings and credit programs such as the *Grameen Bank* in Bangladesh have been highlighted as *positive* examples of bonding social capital, whereby poor rural women with no material collateral get access to credit on the basis of membership in a small peer group (Woolcock/Narayan 2000, p. 232). In contrast, Ostrom and other authors have reaffirmed Putnam's view that social capital can have *negative* effects on non-members and on other types of capitals as well. Extreme examples of this "dark side" of social capital are criminal gangs, cartels and mafia organization (Ostrom 2000, p. 176, cf. Olson 1982, North 1990, Riewe 2010). Woolcock (1998, p. 186) therefore concludes that social capital is a "crucial, but enigmatic, component of the development equation," precisely because it can enhance, maintain, or destroy other types of capitals.

To date, only a few authors have explicitly or implicitly linked the concept of social capital with tourism and its impacts on rural development. It has been observed that the causality between tourism and social capital can work in both directions (Macbeth, Carson & Northcote 2004). Some authors take the view that the degree of social capital within a destination community can determine the success or failure of tourism development (McGehee et al. 2010, p. 488; Claiborne 2010, p. 45). In the context of this study, however, the reverse direction of causality is assumed. Corresponding to the discussion of social and cultural impacts in the previous section, it is hypothesized that the *economic involvement in tourism has an effect on the social capital of poor, rural societies*. Consequently, this paper examines whether tourism changes the social capital of rural destination communities and thereby also impacts upon other types of capital.

As the available evidence suggests, tourism may enhance social capital, e.g. by strengthening existing or promoting the formation of new institutions (cf. Harrison 1992b, pp. 27-28). In Nepal and elsewhere, the interaction with tourists, including marital relationships with foreigners, has offered local residents the "possibility of increased status and the chance to leave home for more affluent and (allegedly) congenial surroundings" (Kunwar 2002, p. 107 with reference to Sauraha, Nepal; Harrison 1992b, p. 29). Engagement in tourism can also increase *human capital* by promoting entrepreneurial activity and improving formal and informal education, e.g. through training opportunities, language skills and awareness creation on matters such as nutrition, health, hygiene and sanitation (Ashley 2000, p. 15, Hashimoto 2002, p. 215). Human capital is closely linked with social capital, as it impacts upon people's organizational strength and the management capacity of local organizations (Ashley 2000, p. 16). However, tourism could also undermine social capital by exacerbating local conflicts between and within communities and by "eroding" collective institutions that might lose relevance in the context of tourism-induced market relationships (cf. Turner/Ash 1975, Esh/Rosenblum 1976, De Kadt 1979, Graburn/Jafari 1991).

In conclusion, the concept of social capital acknowledges the importance of social relations in development. Social capital can provide opportunities for enhancing productivity and economic growth and work as a social insurance mechanism. However, social capital can also be detrimental from the perspective of individuals who are excluded from its

benefits. Different dimensions and types of social capital can be distinguished and co-exist in most settings. With the aim to explore impacts of tourism in rural communities of Nepal, the empirical analysis will focus on *structural* manifestations of *bonding and bridging social capital*. As direct measurement of social capital is impossible, contextually relevant *proxy indicators* relating to membership in formal and informal institutions and extra-community networks will be applied for the empirical analysis (Grootaert/van Bastelaar 2001, p. 9).

## 4 RESEARCH METHODOLOGY

### 4.1 Geographical Setting

The Federal Democratic Republic of Nepal, a least developed country with considerable tourism potential, was chosen as the geographical setting for this case study on tourism and social capital. 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 *terai*, 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). Nepal's 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 in past decades, 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).

With an estimated 6.4% share of national GDP and 5% of total employment, the macro-economic importance of the Nepalese travel & tourism economy is relatively modest (WTTC 2007). Nonetheless, *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 *terai* 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. These two districts were selected for the empirical investigation, as they represent different topographical and ecological zones of Nepal, namely the *terai* 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).

## 4.2 Research Design

To identify impacts of tourism on social capital, four *village case studies* were conducted in the Nepalese districts of Rasuwa and Chitwan. One tourism village and a “matching” non-tourism village were chosen in each district. *Thulo Syabru* in Rasuwa district and *Sauraha* in Chitwan district were selected as tourism villages. Both villages have undergone considerable socio-economic transformation due to tourism in the past decades (cf. Hauck, 1996 on Thulo Syabru; Kunwar, 2002 on Sauraha). The non-tourism villages, *Shaktikhor* in Chitwan and *Gatlang* in Rasuwa, were chosen for their structural similarity with the respective tourism village, 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 selection of tourism and non-tourism villages in both districts is regarded as suitable to detect impacts of tourism on social capital (Table 2).

The methodology applied for this study combines the rigor of quantitative analysis with explanatory insights from qualitative research. Based on a comprehensive questionnaire, *standardised surveys* were conducted among 259 households from the four villages in 2006. The data were entered into an SPSS database. A “treatment group” of tourism households from the four villages could thus be compared with a control group of non-tourism households to detect causal links between tourism and social capital. *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. With 41% tourism and 58% non-tourism households, the sample provides sufficient covariation on the independent (tourism) variable to allow for comparisons between the treatment and the control group. Furthermore, the selection of two geographically distinct districts for the empirical field study reveals contextual dimensions of social capital, allowing for further comparisons between households in the Nepalese mountains and in the lowlands (Table 3).

Due to a lack of pre-existing knowledge relating to the impacts of tourism on social capital, explanatory insights from qualitative, non-numerical information were the main methodological focus of the *village case studies*. The case studies also aimed at embedding a complex theoretical construct such as social capital into its real-life context. In addition to the household surveys, a range of *collective appraisal methods* from the “toolbox” of participatory rural appraisal (PRA) and related approaches were therefore employed during the field research in Nepal (cf. Chambers 1994, ICIMOD/SNV 2004). Community meetings, semi-structured discussions with relevant focus groups (e.g. tourism entrepreneurs, women) and in-depth narrative interviews with key informants were held in each case study village. During the group sessions, complementary exercises such as SWOT (Strengths, Weaknesses, Opportunities, Threats) analyses and seasonal calendars were conducted. Apart from the detailed protocols that resulted from the collective appraisal tools and interviews, the community case studies also draw on additional data sources such as secondary literature and observations (cf. Yin 2003). The village case studies also aimed at controlling for third-variable effects (i.e. effects on social capital that are unrelated to tourism). To assess social capital in a quantitative manner, regressions were conducted for the aggregate set of standardised household data, with the significance level determined at  $p \leq 0.05$ . The two methodological pillars—*village case studies* based on the

partial samples, collective exercises and in-depth interviews in the communities and *statistical analysis* of the aggregate household data—were expected to provide complementary and mutually enriching information with regard to tourism’s impact on social capital in the four villages.

Tab. 2: Characteristics of the case study communities

	Rasuwa District		Chitwan District	
Village	Thulo Syabru	Gatlang	Sauraha	Shaktikhor
Group	Treatment	Control	Treatment	Control
Total households	122	223	231	183
Population	520	1,183	1,107	829
Sample size (no. of households)	51	70	77	61
Households covered by survey	42%	31%	33%	33%
Altitude	2,210 m a.s.l.	2,238 m a.s.l.	250 m a.s.l.	355 m a.s.l.
Ecological zone	Midhills (mountainous, fans/slopes)	Midhills (mountainous, fans/slopes)	Terai (alluvial plains)	Terai (alluvial plains to soft slopes)
Distance from highway	2 hours walk to district road (unpaved)	4 hours walk (2 hours drive) to district road (unpaved)	6 km (25 minutes drive) to national highway (paved)	15 km (40 minutes drive) to national highway (paved)
Located on road	no (nearest road 2 hours away)	yes (unpaved)	yes (partly paved)	yes (partly paved)
Ethnic composition	100% Tamang	99% Tamang	Mixed	Mixed
Employment in tourism	14% of population	< 1% of population	36% of households	2% of population

Data sources: MCTCA/UNDP/TRPAP 2005, 2006; NTB/TRPAP 2003; Bacchyauli VDC 2006; own surveys.

Tab. 3: Composition of sample across comparison groups

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

### 4.3 Research Variables and Indicators

Based on the typology elaborated in Chapter 3, the analysis in the following chapter will explore empirically observable, structural expressions of social capital (cf. Table 1). More specifically, we will look at indicators of bonding and bridging social capital and their relationship with tourism. As explained earlier, *bonding social capital* is regarded as particularly important as a risk-sharing mechanism for poor rural households, whereas *bridging social capital* might be an avenue towards upward economic mobility. Households' *membership in formal horizontal institutions* such as community-based organizations and functional groups is assessed as a proxy for bonding social capital. As proxies for bridging social capital, we will examine *extra-community, vertical networks* by exploring whether households have relatives or family members in Kathmandu, in other urban areas of Nepal or in foreign countries. In addition, we examine whether households are multi-locational, i.e. have one or more family members temporarily living outside the respective location due to migration. We assume that migrant household members contribute to the formation of extra-community networks in the same manner than relatives or family members who permanently live in another location.

Table 4 specifies the selected indicators that relate to the respective categories of the dependent variable, i.e. social capital. The table also explains how *tourism* is operationalised as the independent research variable. To account for contextual dimensions of social capital, we introduce *geographical location*, i.e. households' location either in the mountains or in the lowland district as a control variable.

Tab. 4: Research variables and associated indicators

Research variables	Indicator
Dependent variables:	
Bonding social capital	Membership in formal institutions: yes/no (dummy) no. of household members involved in these institutions
	Existence of informal institutions/self-help mechanisms
Bridging social capital	Extra-community relationships with relatives/family members in the capital Kathmandu in another urban area of Nepal in a foreign country
Independent variable:	
Tourism	Household is economically involved in tourism: yes/no (dummy) Tourism income (absolute; percentage share) Household is located in a tourism village (dummy) yes/no (dummy) tourism income (absolute; percentage share)
Control variable:	
Geographical location	Household is located in the mountains (Rasuwa district) or in the lowlands (Chitwan district) (dummy)

## 5 EMPIRICAL RESULTS

### 5.1 Impacts of Tourism on Social Capital: Quantitative Evidence

We begin our empirical exploration by analyzing the quantitative evidence from the aggregate household data. Regression analysis is applied to reveal whether the selected indicators of social capital are dependent on households' economic involvement in tourism. We also wanted to test whether social capital depends on *geographical location* by comparing household data from the mountains and the lowlands. A three-variable regression model was thus selected for the statistical analysis to account for the differing socio-economic context in Chitwan and Rasuwa district.

Table 5 presents the results of a multivariate regression analysis (OLS) with regard to the defined indicators of social capital. Controlling for the impact of terai residence, tourism involvement is not associated with households' *membership in formal institutions* per se, but has a positive impact on the number of persons within the household who are members of such institutions (cf. the social capital variables SC 1 and SC 2 in Table 5). Thus, if tourism households are involved in formal institutions, they are likely to have more household members involved in these institutions than non-tourism households. The indicator also suggests that tourism households are more likely to be involved in more than one institution than non-tourism households. This appears plausible; most tourism households are members of tourism organizations—which exist even in the non-tourism communities—in *addition* to their membership in other organizations, e.g. farmers' organizations, mothers' groups or youth clubs. This "institutional diversification" corresponds with the greater degree of livelihood diversification of the tourism households, as the overwhelming majority of households pursue tourism as an additional economic option (cf. Shakya 2009, pp. 308-309).

Tab. 5: Multiple regression analysis of the impact of tourism and geographical location on social capital (n = 259)

Dependent variable: Independent variables:	SC 1	SC 2	SC 3	SC 4	SC 5
Tourism (0=non-tourism HH, 1= tourism HH); beta1 (standardised)	-	0.154*	0.130*	-	-
Geography (0=Rasuwa/mountains; 1=Chitwan/terai); beta2 (standardised)	0.157*	0.253**	-	0.350**	0.210**
R	0.159*	0.318**	0.134	0.355**	0.207*
R <sup>2</sup> (adjusted)	0.018	0.094	0.010	0.119	0.035

Significance (2-tailed): \*\* p = 0.01, \* p = 0.05 (only significant beta coefficients are shown).

Dependent variables:

SC 1: Household is involved in any formal institution(s) (dummy)

SC 2: No. of household members who are involved in formal institution(s)

SC 3: Household has family/relatives in Kathmandu (dummy)

SC 4: Household has family/relatives in an urban area (dummy)

SC 5: Household has family/relatives in a foreign country (dummy).

Data source: own survey, 2006.

In contrast, the empirical data do not deliver any evidence that tourism involvement has a positive impact on households' bridging social capital in the form of *extra-community networks* (cf. the social capital variables SC 3-5 in Table 5). Although the partial *beta* for households' relationship with relatives in the national capital Kathmandu is positive and significant, the regression model is insignificant and the result therefore rejected. Controlling for the impact of terai residence, the beta coefficients for the impact of tourism on extra-community relations with other urban areas and with foreign countries are insignificant. However, the positive and significant beta coefficients for the location dummy regressed against the same variables suggest a positive association between terai residence and households' stock of social capital when controlling for the impact of tourism.

In conclusion, the quantitative analysis neither reveals a clear nor a strong evidence for tourism's impact on social capital. Drawing on the aggregate household data, no major difference in social capital could be established between tourism and non-tourism households across the four Nepalese villages. Instead, the analysis indicates that households in the Nepalese lowland district of Chitwan tend to be more frequently involved in formal institutions and extra-community networks as compared to households in Rasuwa (hills/mountains). This may be explained by the better accessibility of rural areas in the Nepalese lowlands, which facilitates social and economic transactions. To identify location-specific differences with regard to tourism's impact on social capital and to cross-validate the quantitative findings, we will now turn to the case study results.

## 5.2 Tourism and Social Capital in the Nepalese Mountains

Starting with the villages of *Thulo Syabru* and *Gatlang* in the Nepalese mountains, the case studies shall detect impacts of tourism on social capital by comparing findings from a tourism village and a corresponding non-tourism village. The two districts that were selected for the empirical investigation represent different socio-economic and ecological contexts, namely the mountains (Rasuwa district) and the lowlands (Chitwan district) of Nepal. As contextual variables are likely to influence the role of social capital and also of tourism, the case study findings in the mountains and in the lowlands will be analyzed separately. A socio-economic overview is provided for each village before presenting findings with regard to social capital.

### 5.2.1 *Thulo Syabru, a tourism community in Rasuwa district*

Thulo Syabru is an old settlement almost exclusively inhabited by one ethnic group, the *Tamang*. The village is located inside Langtang National Park in the central part of Rasuwa district and belongs to the park's buffer zone. In 2004, the village had 122 households and a population of 520 (MCTCA/UNDP/TRPAP 2005, p. 93). According to a participatory poverty appraisal, 65% of households are regarded as "poor" according to their degree of food sufficiency and their land ownership status (cf. Shakya 2009, p. 252). The economic mainstay for the majority of households in Thulo Syabru is *mixed farming*, i.e. a combination of agriculture and animal husbandry: Of the 51 households surveyed in

Thulo Syabru for this study, all except one are involved in farming and among these, 90% are involved in farming throughout the year. The main crops grown in the village include finger millet, maize, wheat, potatoes and vegetables. Cattle, goats and chicken are the most common types of livestock. Some farmers have specialized in the breeding of *chauris*, cross-breeds of yak and cattle, which are brought up to higher-altitude pastures in the summer months. The milk is sold to a nearby cheese factory. *Tourism* comes second after farming in the local economy. Among surveyed households, 59% are economically involved in tourism.

Tourism in Thulo Syabru started more than 30 years ago, roughly coinciding with the establishment of Langtang National Park in 1976. The village is located on one of Nepal's most popular trekking routes, between Gosainkunda Lake and Langtang valley. Apart from the "strategic" location, the residents consider the scenic setting of the compact village and the Tamang culture as further features that attract foreign trekking tourists. The "modern" appearance of many dwellings, most notably the trekking lodges with their cemented walls and corrugated iron roofs, is in stark contrast to the few remaining Tamang houses, which are built of stone and wood. Exact figures on the tourism volume in Thulo Syabru are not available, but local people noted a significant decline of tourism in the years preceding the field research. Apart from the unstable political situation in Nepal, which affected the national tourism industry as a whole, the villagers explained the tourism decline with local factors, such as the diversion of trekking tourists away from their village due to a nearby road. Yet it is believed that a major portion of the 4,500 international tourists that visited Langtang National Park in 2006 also stayed at Thulo Syabru (cf. MCTCA 2006, p. 59). Tourists are accommodated in trekking lodges or on private campsites. It was reported that some facilities had closed down in the past years due to tourism decline, but there were still 14 trekking lodges operating in Thulo Syabru in 2006. All lodges are run by local residents as family businesses, normally without additional staff. Facilities range from simple lodges to hotel-type accommodations with up to 23 beds, private bathrooms and solar-heated showers. Additional income opportunities from tourism include seasonal employment as a guide or porter and selling farm products and handicrafts to the trekking tourists. As reported by the locals, most foreign tourists are from Germany, France, Korea, Japan and Israel. Almost all tourists spend only one night in Thulo Syabru, using the village as an overnight stop on the way to Langtang valley or Gosainkunda.

### *Social capital in Thulo Syabru*

Almost three quarters (71%) of households in the Thulo Syabru sample reported to be a member of at least one of the twelve *formal institutions* that exist in the village. Although not mentioned by all survey respondents, households in Thulo Syabru are automatically members of a "Buffer Zone Users' Group" (BZUG). BZUGs are associations that regulate community participation in the management of natural resources (e.g. access to firewood) inside the national park. Apart from the BZUGs, three village-level organizations are related to tourism or have been established for tourism purposes. A "lodge management committee" had been formed upon initiative of a donor-funded tourism project in the 1990s to standardize rates for food and lodging at the local trekking lodges. It was reported that members had defaulted on the group's rules by undercutting the prescribed

rates. As a consequence, the committee was not active at the time of the field research, and lodge owners were trying to drag tourists away from their neighbours by offering cheaper rates. In the same token, a “community development committee” that aimed at raising funds from tourism for social activities was dysfunctional at the time of the field research. The “Sustainable Tourism Development Committee” (STDC) is the youngest tourism association in Thulo Syabru. Formed upon the initiative of another tourism project that operated in Rasuwa district from 2001 to 2007, the STDC provides loans for tourism-related investments in Thulo Syabru and its neighbouring villages. There are a few other social organizations in the village, including a mothers’ group, a youth club and a Christian church, of which about 12 households are members. Reportedly, the Christian faith had only recently gained popularity in Thulo Syabru, where Buddhism and the shamanist *Bonpo* religion have been practiced for centuries. A new mothers’ group had recently been formed but was not active yet at the time of data collection due to a lack of funds.

As observed during the field research, the people of Thulo Syabru also maintain a range of *informal institutions*. For instance, households contribute time, money and food on special occasions such as funerals, the birth of a son or religious festivals, thus investing in reciprocal relationships. Even if such institutions can be considered as indicators of trust and social cohesion (i.e. cognitive social capital), intra-community *conflicts* also became apparent during the group discussions. Apart from a group of affluent and “well-respected” land- and livestock-owning farmers, some of which also benefit from tourism by selling farm products to the lodges, the lodge owners have become a second wealthy and influential group of local society. In contrast, tourism has not improved the lives of many of the poorer farm households in the village. As the participants of the group discussions stressed, intra-community conflicts were not only related to tourism or the growing inequality per se, but also had to do with donor activities, resource use restrictions imposed by the national park administration and people’s affiliation with political parties. Consequently, the participants of the group discussions admitted that the level of trust, confidence and the ability to resolve conflicts in the community had declined in the past decade. At the same time, they felt that mutual help within the community had increased. The respondents were convinced that the described indications of social change were not only due to tourism but rather reflected general tendencies in Nepalese society.

Although villagers claimed to be weak in vertical, *extra-community relations* during the group discussions, the survey data revealed that 53% of households are *multi-locational*, i.e. have at least one member who had lived outside the village for at least two months in the year prior to the survey. However, multi-locality is not necessarily a reliable indicator of bridging social capital per se; in Rasuwa district and other remote rural areas of Nepal, it is commonly linked to the lack of education facilities and often relates to the temporary absence of children for schooling purposes. More than half of the households have family members in Kathmandu and 10% in a foreign country. As in-depth interviews confirmed, some lodge owners maintain contacts with foreign tour operators to sustain their tourism business. About 75 children, both from tourism and non-tourism households are financially supported by foreigners who had once been to their village as tourists. Most of these children attend private schools in Kathmandu, confirming the close connection between bridging social capital—in this case friendships with foreigners—and human capital.

In conclusion, the Thulo Syabru case study identified a range of formal and informal institutions at the village level. However, inequality, diverging interests and declining trust within the community have promoted dysfunctional institutions and intra-community conflicts. On the other hand, community members have managed to expand their extra-community networks even beyond national boundaries. It is impossible to attribute the observed changes exclusively to tourism. Without doubt, however, tourism has been an important agent of change in the local society, as much as it has transformed a purely farm-dependent village economy into a more diversified one with new economic and social opportunities for local residents.

### 5.2.2 Gatlang, a non-tourism community in Rasuwa district

Gatlang is located in the western part of Rasuwa district, outside Langtang National Park, at an average altitude of 2,238 m. Like Thulo Syabru, the village is almost exclusively inhabited by ethnic *Tamang*. The village has 223 households and a population of 1,183 (MCTCA/UNDP/TRPAP 2005, p. 92). Without exception, the compact settlement consists of traditional Tamang farm houses, i.e. two-storied stone-wood constructions with a wooden roof and carved windows. According to the findings of a participatory poverty appraisal, 82% of households are characterized as “poor” with regard to their land ownership and food sufficiency (cf. Shakya 2009, pp. 259-260). As in Thulo Syabru, the economic mainstay of most households in Gatlang is *mixed farming*. All but two of the 70 households surveyed in Gatlang are involved in farming, the overwhelming majority (98%) throughout the year. The main crops grown in the village are maize, finger millet, potatoes, barley, buckwheat, vegetables and wheat. Potatoes and green beans are the main cash crops. As no household is able to produce enough food for its own consumption, animal husbandry is another important income source. Almost all of surveyed households own livestock such as yaks, chauris, cattle, goats, sheep and chicken. The low degree of economic diversification and lack of non-farm income opportunities, combined with unfavourable climatic conditions, leads to seasonal shortages of food and income, particularly during the winter months.

Despite the scenic location of the village and its authentic character as a “typical” Tamang village, *tourism* has not yet become an important sector of the village economy. Nonetheless, seven households mentioned to be economically involved in tourism by running a lodge or tea shop, by selling handicrafts or by working as porters. Apart from one private lodge and a community lodge, no facilities and services for tourists are available in Gatlang, despite recent efforts of the government and NGOs to promote tourism along a newly-developed trekking route, the “Tamang Heritage Trail.” Notwithstanding the little benefit so far, people expect that tourism will create new income opportunities and thus make their livelihoods more secure. Confronted with the possibility that only a few individuals might profit from tourism, people said that they not only expected direct, but also indirect benefits from tourism, such as school sponsorships, increased awareness of hygiene and sanitation, opportunities to sell locally produced handicrafts, the preservation of their culture and a general stimulation of business activities. They were not afraid of a possible increase in inequality; even if some people would get rich, “anyway, they would be from our community.”

### *Social capital in Gatlang*

The overwhelming majority, i.e. 86% of households in the Gatlang sample are members of at least one *formal institution*. Altogether, there are 17 village-based associations at Gatlang. Most of the households are involved in one of the ten community organizations (*samudayik sansthaa*) in the village. The main function of these groups is the provision of microfinance. Each savings and credit group has a membership of 15-35 households. The development of these associations has been promoted by a national NGO. As in Thulo Syabru, a “Sustainable Tourism Development Committee” (STDC) has been formed upon initiative of a donor-funded tourism project. The STDC aims at promoting tourism activities in the village and provides tourism-related loans. In addition, there are a community forest user group, a handicraft producers’ association, a cultural group, a farmers’ cooperative and two youth clubs. While all households are said to be followers of Tibetan Buddhism, 60-70 families (including some Buddhist priests) are also members of a local Christian church.

Households in Gatlang are interconnected by a number of *informal institutions*. Solidarity, trust and social cohesion among the community appear very strong. Conflicts, which according to the participants of the group discussions seldom occur, are settled by two elected village chiefs. *Tshoka* are a kind of village police service. Two men are annually elected and paid by in-kind contributions from each household. The tasks of the *tshoka* include enforcement of community forest user rules. Institutions of mutual help are not only essential to deal with shocks such as the death of a family member or natural hazards; community members also help each other during the harvest season and with other farm-related matters through labour exchange systems. For instance, households not owning a pair of oxen for ploughing can borrow other households’ animals in exchange for one day of farm labour. Social cohesion is strengthened through events such as weddings and funerals, which involve the whole community. Marriage between cousins is common among Tamang families, contributing to strong kinship ties within the community. *Buddha Jayanti* and *Mangsir Mane* are the most important religious festivals in the annual cycle: A high *lama* (Buddhist priest) from Kathmandu is invited to these festivals to pray for the community’s good fortune and to practice some rituals. Festivities last several days and involve the whole village. Each household has to contribute some homemade liquor and money for the festival. On the final day of the festival, money is collected and new clothes are given to the village leaders and the two *tshokas* in acknowledgement of their services to the community.

With regard to *bridging social capital*, few households in the Gatlang sample reported to have family members or close relatives in Kathmandu or other urban areas of Nepal. Only 29% of households in the sample are multi-locational, and the absence of household members is often linked to education. The group discussions revealed that 30-40 men from the village stayed in a foreign country as labour migrants at the time of the survey, most of them in the Gulf region. However, international labour migration is a fairly recent trend in Gatlang, as the required upfront payment to a manpower agency forms an effective barrier for most households. In the absence of vertical social capital or formal insurance, the abundance of bonding social capital in the form of horizontal associations, trust and shared norms among the community almost appears like a necessity.

### 5.2.3 Analysis and discussion

To analyze the case study findings from the Nepalese mountain district of Rasuwa with regard to tourism's socio-economic impact, Table 6 compares household survey data from Thulo Syabru and Gatlang for selected indicators of income and social capital. The average household income in the "tourism village" of Thulo Syabru is twice as much as in Gatlang. As expected, with an average income share of 28% tourism is considerably more important in the local economy of Thulo Syabru as compared to Gatlang (11%). In terms of *bonding social capital*, both the number of village-based organizations and the share of households who are members in these organizations are greater in Gatlang than in Thulo Syabru. In contrast, *bridging social capital*, exemplified here by the share of multi-locational households and extra-community networks with relatives in the national capital Kathmandu, is greater in Thulo Syabru than in Gatlang. Intuitively, the quantitative findings from the village sub-samples suggest that bonding social capital has declined and bridging social capital increased in Thulo Syabru *because of tourism*. However, these results are not significant statistically and should thus not be overvalued. To gain a deeper understanding of the causalities between tourism and social capital, the group discussions and observations in the case study villages deliver important additional information.

Tab. 6: Social capital indicators for the case study communities in the Nepalese mountains

	Thulo Syabru (tourism; n=51)	Gatlang (non-tourism; n=70)
Mean annual cash income per household* (2005/2006)	€ 543	€ 275
Mean household income from tourism* (share)	€ 207 (28%)	€ 31 (11%)
<i>Bonding social capital:</i>		
No. of formal institutions	12	17
Share of households with membership in at least one formal institution	71%	86%
<i>Bridging social capital:</i>		
Share of multi-locational households	53%	29%
Share of households with family/relatives in national capital	55%	3%

\* Exchange rate at the time of the survey; values not adjusted for purchasing power.

Data source: own survey, 2006.

In *Thulo Syabru*, several village-based organizations were reported to be non-active or dysfunctional at the time of the field research. Intra-community conflicts emerged during the

field research. The decline of functioning village associations has affected the community's ability to act collectively, as exemplified by the failure of the *lodge management committee* to enforce standardised meal and accommodation rates. The latter has negative repercussions for the local tourism enterprises themselves. However, as outlined in the preceding paragraphs, the decline of bonding social capital cannot be exclusively linked to tourism; the village informants also quoted party politics, interventions of international aid organizations and other reasons for intra-community conflicts and the lack of sustainability of local associations. Without doubt, the observed increase of *income inequality* among the village community can be attributed to tourism. As explained by older village informants, local residents had all been more or less equal in economic terms before the advent of tourism, i.e. in the 1970s. In the decades that followed, tourism development promoted the gradual emergence of a new "class" of wealthy households. It seems, however, that it is not so much tourism (or the resulting income inequality) per se but rather the recent *decline* of tourism that has aggravated local conflicts. At times when tourism thrived well in Thulo Syabru, both tourism and non-tourism households enjoyed the ample benefits of tourism, including better linkages with the "outside world" and better educational opportunities for their children. When tourism-related income started to decrease notably, the decline of social cohesion started to surface negatively. Fearing their neighbours' competition, tourism entrepreneurs have started to sabotage the rules of the lodge management committee in an effort to maximize individual returns on their sometimes considerable investments, for instance a lodge extension or the construction of a solar-heated shower.

As compared to Thulo Syabru, life has hardly changed for the residents of *Gatlang* since the 1970s. Arguably the greatest socio-economic change in the village has been brought about by the construction of a dirt road above the village. This road was built in 1989 to provide access to nearby zinc and lead deposit. Although the mine has not yet been exploited commercially due to technical, financial and tectonic difficulties in this remote area, the road has created a modest opportunity for the villagers to sell their farm products such as potatoes. In the absence of other, especially non-farm economic alternatives, the community continues to depend on agriculture and livestock farming. The low degree of economic diversification and a lack of formal insurance mechanisms, combined with climatic conditions unfavourable for farming, lead to seasonal shortages of food and income for almost all households. In this situation, which is typical for many remote mountain villages of Nepal, the abundant stock of social capital in the form of mutual help mechanisms and other social institutions is no end in itself, but may be vital for survival; as such institutions provide relief to community members in the case of emergencies.

Despite this economic importance of social capital some younger, educated men in *Gatlang* expressed their dissatisfaction with the dominant role of traditions and social institutions in the village. They regarded the traditional social structures, including hierarchical inter-generational and gender relations as stumbling blocks to innovation and economic progress in their village. Frustrated about their limited economic prospects in the village, they said that they were looking for ways to engage in labour migration. It is in the realm of speculation whether tourism development in *Gatlang* and elsewhere would be able to stop the rural exodus, which is happening in many parts of the developing world. It

appears likely, however, that tourism (or other non-farm income opportunities) could bring about similar socio-economic changes as in Thulo Syabru, with comparable consequences for social capital: Once individual household incomes increase due to tourism, the importance of community organizations may decline. Thus, bonding social capital could be replaced by bridging social capital and/or increases in other forms of capital such as human capital (better education) and financial capital (ability to accumulate savings).

### 5.3 Tourism and Social Capital in the Nepalese Lowlands

#### 5.3.1 Sauraha, a tourism community in Chitwan district

Sauraha is located on the northern shore of the Rapti River inside the buffer zone of Chitwan National Park, at an altitude of approx. 250 meters. In 2006, the village consisted of 231 households and had a population of 1,107 (Bachhyauli VDC 2006). Traditionally settled by indigenous *Tharu*, Sauraha today is an ethnically mixed community. A small market centre with modern, cemented buildings has developed along the main road, which leads to the river bank. Most tourism-related businesses such as lodges, souvenir shops, restaurants and retail shops are located along this road. The thatched, mud-plastered farm houses on the village periphery are in stark contrast to the almost urban appearance of the touristic centre. No data from participatory poverty appraisals were available for Sauraha. According to the participants of the group discussions, landless households and households involved in casual labour and petty trade (e.g. street vendors) are generally perceived as poor and food insecure in the local context. In contrast, farmers with larger landholdings and households involved in tourism are regarded as wealthy and food secure.

Farming, tourism and trade are the main pillars of the local *economy*. In terms of numbers of involved households, *tourism* is the most important economic activity in Sauraha, engaging 54% of all households (Bachhyauli VDC 2006). In a typical (i.e. median) tourism household, tourism contributed half of the total annual cash income in the year preceding the surveys. *Farming* follows closely after tourism as the second most important activity, involving 50% of households in Sauraha (Ibid.). Rice, maize, pulses, vegetables, potatoes, wheat and fruits are the most important crops. However, the majority of surveyed households only cultivate crops for subsistence needs. The most common livestock kept by farmers in Sauraha are chicken and ducks, goats, cattle and buffaloes. In terms of cash income, farming is considerably less important than tourism. On average, farming contributed 9% to households' cash income among the sample. Trade- and service-related activities, many of which are linked to tourism, are important additional sources of household income. The importance of non-farm income in the local economy of Sauraha reflects the greater degree of diversification beyond farming as compared to the case study villages in the mountains. However, the somewhat extreme income ranges for tourism and non-farm activities also suggest a high degree of *inequality* among the residents of Sauraha.

Tourism in Sauraha started in the mid-1970s, soon after the establishment of Chitwan National Park. The opening of a national park office with elephant stables, combined with a relatively good accessibility favoured Sauraha's development as a tourist destination. Popular tourist activities include elephant rides inside the national park or in the Baghmara community forest, canoe tours, game drives, bird watching excursions, nature walks, tours of Tharu villages, ox-cart drives and visits to the nearby Elephant Breeding Centre. Many hotels and lodges offer Tharu cultural shows with music and dance in the evenings. Apart from accommodation establishments, a large number of restaurants, pubs, retail shops, bicycle rentals and travel agencies in Sauraha cater to the needs of foreign tourists. Services offered to tourists and locals alike also include hairdressing and massage salons, pharmacies, laundry services, internet cafes, beauty parlours, tailors and money changers.

Most locally-owned tourist facilities in Sauraha have remained family businesses. Since the end of the 1980s, more and more "outsiders," mainly business people from Kathmandu, have bought land from Tharu families and invested in lodges and other tourism-related businesses in Sauraha. Apart from self-employment, e.g. running a lodge, restaurant, travel agency or shop, skilled and unskilled employment opportunities exist for lodge managers, guides, vendors, waiters, cooks, boatmen, cleaners, dancers and elephant drivers. Entrepreneurs nowadays prefer to hire staff on a temporary basis during the season rather than issuing permanent work contracts. Local farms supply most of the tourism-related demand for vegetables, meat, eggs, fruit and rice, whereas other goods are imported from India or bought from Bharatpur.

According to local tourism experts, tourist arrivals at Sauraha had grown steadily to a record high of 106,000 in 2001, then sharply declined to an estimated 67,000 national and international visitors in 2006 (Shakya 2009, p. 272). Informants quoted the political crisis, the Maoist insurgency, pandemics affecting neighbouring countries, the US September 11 attacks, the massacre of the Nepalese Royal Family, international travel advisories and unfavourable media reports as reasons for the drastic decline of international tourist arrivals. At the same time, domestic tourist arrivals have increased and now make up around 60% of visitors. It was reported that only four out of more than 40 hotels and lodges in Sauraha permanently closed down due to the crisis. Informants noted a shortage of skilled labour at the lodges as a result of tourism decline and the unstable political environment in Nepal; according to informants, many trained nature guides and hotel employees had left Nepal to seek foreign employment due to the political and economic crisis. People unanimously felt that tourism had made their livelihoods more secure in a variety of ways, despite the recent decline of tourist arrivals. However, they admitted that tourism not only had desired impacts on the local society and economy (cf. Kunwar 2002). Temporary labour shortages during the main harvest season were attributed to tourism. The most drastic economic change brought about by tourism in the past decades was an explosion of land prices. Better education, especially for girls, higher awareness levels with regard to hygiene and conservation, and charitable activities of foreigners, who sponsored some schools and orphanages in surrounding villages, were quoted as some of the non-material benefits of tourism. Drug abuse among youth and erosion of the indigenous culture (e.g. tourists' influence on local clothing style) were considered as negative.

### *Social capital in Sauraha*

An overwhelming majority (87%) of households in the Sauraha sample are members of at least one of the more than 20 *formal institutions* (excluding government institutions). Village informants confirmed that issues such as flood prevention and control, tourism management and natural resource management were aspects of life that required collective action. Although not mentioned by all survey respondents, in principal all resident households are members of the buffer zone user group (BZUG). More than 60% of households participate in a savings or microfinance program. Apart from financial institutions, the BZUG and other functional groups, there are a number of other formal institutions in Sauraha, including several tourism-related organizations. The latter include three associations of tourism entrepreneurs, two tour guide associations and two elephant booking offices. Three NGOs are involved in nature conservation activities. Social and charitable organizations in Sauraha include branch offices of some Nepalese NGOs, political parties, orphanages, women organizations and Tharu cultural organizations.

As compared to the Rasuwa case studies, *informal institutions* seem to play a less important role at Sauraha. Trust and community cohesion appeared weaker than in the two Rasuwa case studies, arguably due to the divergence of interests between tourism and non-tourism households. Participants in the group discussions felt that mutual help, decision-making capacity and the economic role of women had changed positively in the past decade but they did not link these trends to tourism. In contrast, an increase in people's confidence and ability to resolve conflicts was observed and attributed mainly, but not exclusively to tourism. It was also reported that tourism had a positive influence on the preservation of indigenous cultures and traditions. On the other hand, "individualism," "money-mindedness" and "lack of unity" were mentioned as some of the negative impacts of tourism on local society.

Although only 31% of households in Sauraha are multi-locational, the community appears "rich" with regard to bridging social capital in the form of *extra-community networks*. About half of respondents claimed to have family members living in Kathmandu or other urban areas of Nepal. Almost a quarter (21%) of surveyed households has relatives in a foreign country. In the group discussions, marriage to a foreigner was mentioned as one popular avenue for the socio-economic advancement of local residents, confirming the findings of Kunwar (2002, p. 107). This may explain why 41% of international migrants from Sauraha reside in Europe (Bachchyauli VDC 2006). Overall, the results of the Sauraha case study with regard to social capital are similar to that of Thulo Syabru. They indicate a large number of formal institutions and extra-community networks, and a relatively lower importance of informal institutions and cognitive social capital (e.g. trust) in the two tourism communities.

### *5.3.2 Shaktikhor, a non-tourism community in Chitwan district*

Shaktikhor is situated at an average altitude of 355 meters at the foot of the Mahabharat range. In 2005, the village had a population of 829, which comprised 183 households (MCTCA/UNDP/TRPAP 2006, p. 76). With only a 15% share, the indigenous *Chepang* have nowadays become a minority group in this ethnically mixed community. The major-

ity of dwellings lines up to both sides of an unpaved district road. The 15 km road, which ends in Shaktikhor, connects the village with the terai highway, one of Nepal's central transport corridors. As in Sauraha, a central bazaar has developed at the end of the road and forms a stark contrast to the agricultural landscape with its dispersed homesteads. A participatory poverty appraisal identified 38% of households as "poor" according to local wealth definitions (cf. Shakya 2009, p. 276).

In terms of the number of households involved, mixed farming is the most important *economic activity* in Shaktikhor. Only three (5%) of the 61 households in the sub-sample were not involved in farming at all. Eighty-five percent of households pursue farm-related activities throughout the year, another 10% only occasionally or seasonally. Almost all farm households cultivate paddy and maize. Vegetables, potatoes, wheat and fruits are other important crops. Finger millet, which is commonly used for the production of liquor (rakshi) has recently emerged as a new cash crop. As in Sauraha, crops are mainly produced for subsistence needs. Animal husbandry is an important complement of rural livelihoods both for subsistence needs and for the generation of cash income. Goats, cattle/oxen, buffaloes and chicken are the most common types of livestock that are kept at Shaktikhor. In terms of cash income, households depend mainly on non-farm activities, which on average contributed 70% to annual income in the year preceding the survey (excluding tourism). Three quarters (75%) of sample households are involved in services and 23% in trade. With farming contributing only 27% of cash income on average, households in Shaktikhor rely less on market-oriented farm production as in Gatlang, the non-tourism case study community in Rasuwa district. Corresponding income ranges suggest, however, that inequality among Shaktikhor residents has not yet become as extreme as in Sauraha.

As in Gatlang, *tourism* in Shaktikhor does not yet play a significant role in the local economy, despite recent efforts to promote the "Chitwan Chepang Hill Trail" as a new tourist product of Nepal. Eleven households reported to have earned some money from *tourism*. Tourist amenities in Shaktikhor include one lodge, home stay accommodation in eight households, a multiple-use visitor centre with a small "Chepang Museum," guiding and portering services and cultural performances. Apart from its good accessibility and favourable location as the gateway to the Chitwan Chepang Hill Trail, Shaktikhor offers little to tourists. However, the village has a pleasant climate, potential as a bird watching destination and a culturally diverse community, which is eager to welcome and host foreign tourists. Against the scenic background of the Mahabharat hills, visitors can discover the rural life-style at Shaktikhor during a home stay.

Tourists have been coming to Shaktikhor since around 2001. The village is the end- or starting point of the Chitwan Chepang Hill Trek. Only 232 tourists (among them 12 foreigners) were registered in 2005, but numbers were reported to grow during the field research. In 2006, 213 visitors were registered until November, and the number of foreign visitors from the USA, Japan and from Europe had increased to 44 (21%). Like in Gatlang, people have high expectations from tourism. They believe that it will make their livelihoods more secure and do not expect too many negative impacts. They think that poor and wealthy households alike had a chance to benefit from tourism. The uneven distribution of benefits from the home stay was mentioned as a potential problem, as some households have not yet had an opportunity to host tourists. Material benefits from tour-

ism have so far been restricted to households offering home stays and the owners of the lodge. Only one permanent job has been created for the caretaker of the museum. Some households have been able to sell some farm products or handicrafts. A few individuals have occasionally worked as guides or porters. Apart from economic benefits, people expect also non-material advantages from tourism for their village.

### *Social Capital in Shaktikhor*

As almost all households are involved in one of five community-based organizations (*samudayik sansthaa*), it is not surprising that 95% of sample households quoted membership in a *formal institution*. The main purpose of the CBOs is the provision of micro-credit. Each saving group has 14-31 members. Altogether, there are about 17 non-governmental, village-based associations in Shaktikhor. These associations are concerned with natural resource management (community forest user groups, leasehold forestry groups), social issues (e.g. Chepang empowerment), tourism issues (STDC, tour guide association, two cultural groups) or agricultural issues (e.g. the Praja Cooperative, irrigation committee). Christian organizations have directly supported some of the poorest households, e.g. by providing clothes and medicine. As in other parts of Nepal, the number of Christian households in Shaktikhor was rising at the time of the survey.

Despite an ethnically heterogeneous population, which has sometimes been claimed in the literature as an obstacle to community cohesion and collective action, many *informal institutions* exist in Shaktikhor and promote mutual help among community members: The *guthi* is a traditional self-help institution among the *Newars* of Kathmandu valley that includes collective ownership of land (*guthi* land) among its member households. Two similar *guthis* used to exist in the Shaktikhor area. Reportedly, they did not work well and were resolved about 25 years ago. Since about 2003, the people of Shaktikhor have started to form several new *guthis*, and these institutions are said to be running well. Unlike the original institution, these novel *guthis* do not own any land, arguably due to the shortage of farm land. The *guthis* of Shaktikhor are formed according to ethnic affiliation, but are no longer restricted to the Newar community. The *guthis* fulfil similar functions as the informal institutions in Gatlang and Rasuwa. For instance, in case of a funeral, each member household contributes some money and rice to the family of the deceased. Informants stressed, however, that in emergencies households would help each other independent of *guthi* membership or ethnic affiliation.

The abundance of functioning formal and informal institutions suggests a high degree of self-organization and collective action among the people of Shaktikhor. Informants claimed that there was little conflict in the community, and social cohesion was reported to have improved in all respects. As observed during the field research, even private conflicts (e.g. marriage disputes) are sometimes settled collectively. Apart from their participation in formal and informal institutions, the people of Shaktikhor are also actively involved in *extra-community networks*: 39% of survey households are multilocational. The same percentage stated to have friends or relatives in Kathmandu and 29% in a foreign country. The latter is the highest percentage among the four case study communities.

In conclusion, access to microfinance through community-based organizations in Shaktikhor exemplifies how social capital can be effectively utilized for households' socio-eco-

conomic advancement. The abundance of bonding social capital principally resembles the scenario in Gatlang, the non-tourism case study community in the hills. But whereas residents of Gatlang have hardly any non-farm economic opportunity to invest in, households in Shaktikhor have benefited from better connectivity and greater diversity of the rural economy. They have thus been able to economically benefit from social capital by investing micro-loans in a range of alternative economic activities, including tourism.

### 5.3.3 Analysis and discussion

Table 7 compares indicators of income and social capital for the villages of Sauraha and Shaktikhor in the Nepalese lowland district of Chitwan. The average household income among the sub-sample in the “tourism village” Sauraha is three times as much as in Shaktikhor. Households’ income share from tourism is 60%, as compared to only 3% in Shaktikhor. The number of village-based organizations and the share of households who are members of these organizations do not differ much between the two lowland villages. In absolute terms, more associations operate in Sauraha than in Shaktikhor. However, with almost all households (95%) being a member of at least one organization, the residents of Shaktikhor appear more actively involved in these organizations.

Tab. 7: Social capital indicators for the case study communities in the Nepalese lowlands

	Sauraha (tourism; n=77)	Shaktikhor (non-tourism; n=61)
Mean annual cash income of households* (2005/2006)	€ 1511	€ 511
Mean household income from tourism* (share)	€ 911 (60%)	€ 15 (3%)
<i>Bonding social capital:</i>		
No. of formal institutions	> 20	17
Share of households with membership in at least one formal institution	87%	95%
<i>Bridging social capital:</i>		
Share of multi-locational households	31%	39%
Share of households with family/relatives in national capital	20%	39%

\* Exchange rate at the time of the survey; values not adjusted for purchasing power.

Data source: own survey, 2006.

As described above, the group discussions provide additional hints that bonding social capital in the form of social cohesion and local associations had remained strong in the non-tourism village, whereas it had declined in Sauraha under the influence of tourism.

The empirical evidence from the lowland communities thus roughly confirms the findings from the mountains with regard to bonding social capital. With regard to the two selected indicators of *bridging social capital*, the results for the two lowland villages differ from the mountain case studies. With values above 50% for both indicators, the tourism village in the mountains appears particularly rich with regard to extra-community relations. The corresponding values for the non-tourism village of Gatlang (29 and 3%) suggest a low stock of bridging social capital in this remote mountain village (cf. Table 6). In contrast, the respective values for both terai villages are very similar, and they lie between these two extremes (Table 7). This result suggests that in terms of bridging social capital, tourism has not had a strong impact in the lowland context. However, the finding must be weighed against the qualitative case study evidence, which suggested that Sauraha residents tend to be better connected with other urban areas of Nepal. Moreover, it was observed that many households in Sauraha have international links due to migration and in some cases directly due to tourism through marriage with a foreigner.

Underlined by the quantitative evidence as well as by the case study results, *geographical location* plays a major role in shaping the socio-economic impacts of tourism. In comparison with the mountain communities, households in Sauraha and in Shaktikhor have more diversified livelihoods and earn the major portion of their cash income from non-farm activities. This diversification is due to the relative abundance of physical, social and economic infrastructure. Even if the lowland villages have remained “rural” and “agrarian” in character, they are considerably less remote than the mountain villages due to their better transport links, connectivity and a wider scope of economic opportunities. The major difference between the two villages is that tourism clearly dominates as the most important non-farm activity in Sauraha, while the economic portfolio in Shaktikhor is broader and has retained closer links with the traditional farm economy.

The “absolute” differences in bonding and bridging social capital between the mountains and the lowlands can also be explained by geographical location. For instance, the establishment and operation of formal associations is generally easier in the lowlands, due to shorter distances, better communication means and lower transport costs. In a similar vein, the existence of socio-economic infrastructure may deem some “bridging social capital” in the form of temporary migration unnecessary, as exemplified by the large number of schools in and around Sauraha and Shaktikhor. As explained earlier, the large share of multi-locational households in Thulo Syabru was partly due to the lack of adequate educational facilities in the village, coupled with households’ tourism-related ability to finance their children’s education in Kathmandu.

## 6 CONCLUSION

The concept of social capital was proposed and elaborated in this paper as an analytical framework to empirically assess the social impacts of tourism. The research aimed at analyzing the effects of tourism on the social capital of poor, rural communities in Nepal. Based on a literature review and the theoretical analysis, it was hypothesized that tourism is able to alter different dimensions of bonding and bridging social capital, such as formal village associations, social cohesion and extra-community relations. The empirical study was conducted among four rural communities in two different geographical settings, namely the mountains and the lowland belt of Nepal. In a first analytical step, the aggregate set of household survey data from all four villages was analyzed statistically. The quantitative analysis revealed no impact of tourism on households' social capital. Instead, a statistically significant relationship between social capital and geographical location was identified. Households in the Nepalese lowlands were thus found to be relatively more "affluent" in terms of social capital than households in remote mountain villages.

In a second step, the spatial scope of the study was narrowed down by looking at each geographical setting separately. Both in the mountains and in the lowlands, community case studies were conducted in a tourism village and a matching non-tourism village to identify tourism's impact on social capital. The survey data and the qualitative evidence from the mountain communities indicate a decline of bonding social capital and a considerable increase in bridging social capital in the tourism village. At least partly, these observations can be causally linked to tourism. In contrast, bonding social capital plays a very important socio-economic role in the non-tourism community, particularly in the absence of formal insurance mechanisms and extra-community ties. The research results mirror the massive socio-economic transformation which has been brought about by tourism in a remote, agrarian society. As a consequence of economic diversification and increased income, social capital has been replaced partly by other forms of capital. In contrast, social capital has remained a vitally important asset in the remote, farm-dependent mountain community where tourism has not yet played any economic role. The case studies from the Nepalese lowlands roughly confirm the findings with regard to bonding social capital, but did not identify any quantitative difference in bridging social capital between the tourism and the non-tourism village in the lowlands. However, complementary evidence suggests that tourism has an impact on the *quality* of bridging social capital in the lowlands, e.g. on international networks.

The research results support our theoretical assumptions with regard to tourism's impact on social capital. In the case study villages, tourism has promoted the formation of new institutions. It has also offered opportunities to develop and expand hierarchical, extra-community networks. However, it was also found that tourism can exacerbate local conflicts and reduce the relevance of local indigenous institutions. As has been shown, this "erosion" of social capital can also be detrimental from an economic point of view, as it may reduce the ability of rural communities to act in a coordinated, cooperative manner. The study also shows that bonding social capital may be substituted by bridging social capital. Likewise, both forms of social capital may be substituted by other assets. Normative judgements whether such substitution effects or trade-offs are "good" or "bad" must be left to the concerned communities. In any case, tourism has the potential to contribute to a considerable socio-economic transformation in agrarian societies. Finally, the study

highlights the importance of considering the respective context for any empirical study on rural development. As shown in this paper, the (potential) impacts of an economic activity or policy intervention are inseparable from and moderated by the geographical setting and other contextual variables.

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