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### Community Based Economic Benefits of Sustainable Tourism Development: A Study People's Perception of the Northern Areas of Pakistan

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## **Abstract**

Tourism is a primary source of income and economical growth; this paper represents the need of sustainable tourism development for the local communities of Northern Areas of Pakistan. Findings of this research are based on primary data analysis on a specially designed questionnaire using convenient sampling and Likert scale. By using dormant regression results are based on perception and attitude of local communities. Sustainable Tourism development can result in creation of economic opportunities for local communities.

**Keywords:** Community benefits, Economic Benefits, Sustainable Tourism, Development

## **Introduction**

The significance of tourism as an economic sector has increased drastically over the past six decades. Classified as an industry, tourism functions as a primary source of income and economic growth for various countries around the world. The impacts of tourism are multi-dimensional in characteristic and pertinent to the global economy in entirety and the national economies at country level as well as local communities at territorial level. To mitigate the detrimental effects of continuous growth of the tourism industry and maximize the intra and inter-generational economic benefits, it is imperative to undertake the sustainable development approach to policymaking. This paper expounds the need, the dynamics and the economic prospects of sustainable tourism development for the local communities of the Northern Areas of Pakistan and makes policy recommendations in the light of the aforementioned.

## **Tourism: Global Outlook**

Tourism has emerged as one of the most vital determinants of economic growth and development across the globe. It creates job opportunities, increases the national income and stimulates economic growth, in a broader perspective it results in earning of foreign exchange, improvement in balance of payments, mitigation of income disparities and alleviation of poverty. Tourism, in the modern day, is categorically a sector of international trade and constitutes a strong services export base. With a few short-term fluctuations, growth rate of the tourism industry has

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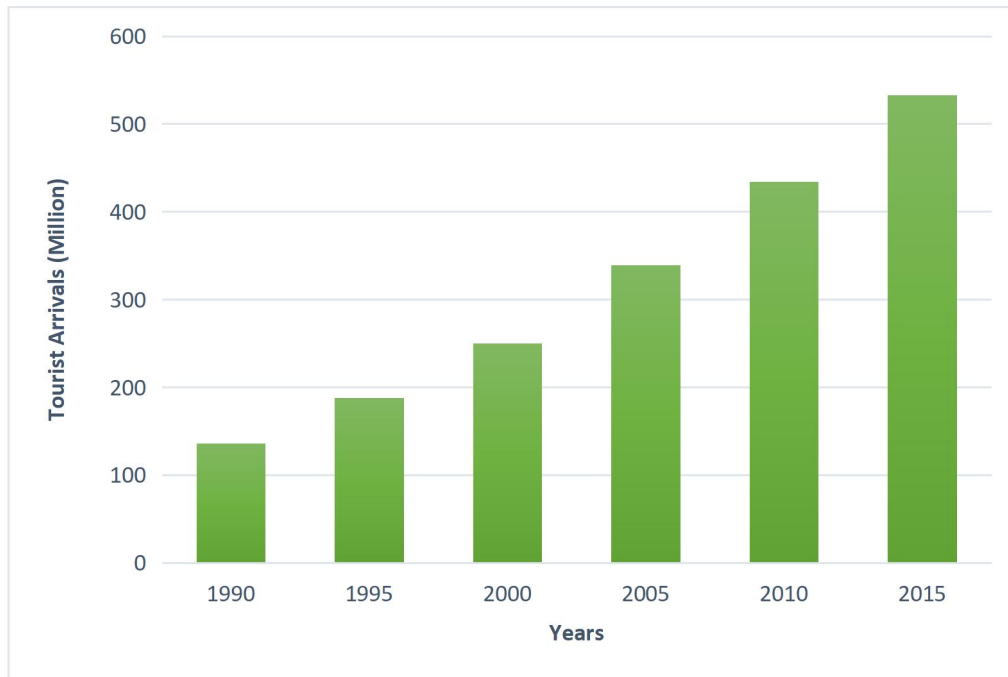
followed a robust upward trend in the past three decades or so. As of July 2016, total contribution of tourism industry to world GDP was recorded to be as high as 9.8% in the year 2015 with a direct creations of 2.5 million jobs worldwide and a 7% share in world services exports. The tourism industry outperformed global economy with a positive growth rate for the sixth consecutive years, its share in world GDP is estimated to increase at an average rate of 4% per annum, hosting an expected sum of 370 million jobs globally. According to prospects for the decade between 2016 and 2026, South Asia is projected to be the fastest growing economic region in the context of tourism industry growth (World Travel & Tourism Council, 2016).

Tourism industry has been associated with the developed world in the past; however, it is rapidly growing to significance as a driver economic growth and development in the emerging economies of the developing world as well. The percentage market share of the emerging economies has grown by 15% in the tourism industry, from a total of 30% to 45% between 1990 and 2015. It is expected that these economies will constitute approximately 57% of the total tourism market share by the year 2030. Increasing market share has contributed to increase in the national incomes of these countries and led to community-based development at local level. With a continuous increase in international tourism arrivals, these economies have growing foreign exchange reserves and improving balance of payments, the economic as well social indicators of development in these countries have been recorded to be following an improving. Tourism industry is developing rapidly in both the developed and the developing countries and has bright future prospects as well, the statistics provide ample evidence to state of strong growth in this industry and socio-economic events validate the optimistic forecasts (UNWTO, UNWTO tourism highlights 2016 edition, 2016).

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**Figure 1.1 International Tourism Arrivals in Emerging Economies Trends (1990-2015)**

**Source: World Tourism Organization**

## **Tourism Industry in Pakistan: A Factual Account**

Tourism stands as an untapped industry in Pakistan, despite the continually increasing significance of the sector worldwide and in the developing world over the past thirty years or so. Subject to negligence on the part of the government and the policymakers and several other challenges to socio-economic and political nature, the growth of tourism industry has been quite slow in the country. As of 2015, Pakistan is ranked 128<sup>th</sup> on the basis of relative size of contribution of the gross domestic product of the country, while the absolute size ranking is 50 among the world economies. Total contribution of the tourism industry to the gross domestic product of Pakistan stood at 7.0%, while the industry's percentage share in the world GDP was recorded as 9.8% in the same year.

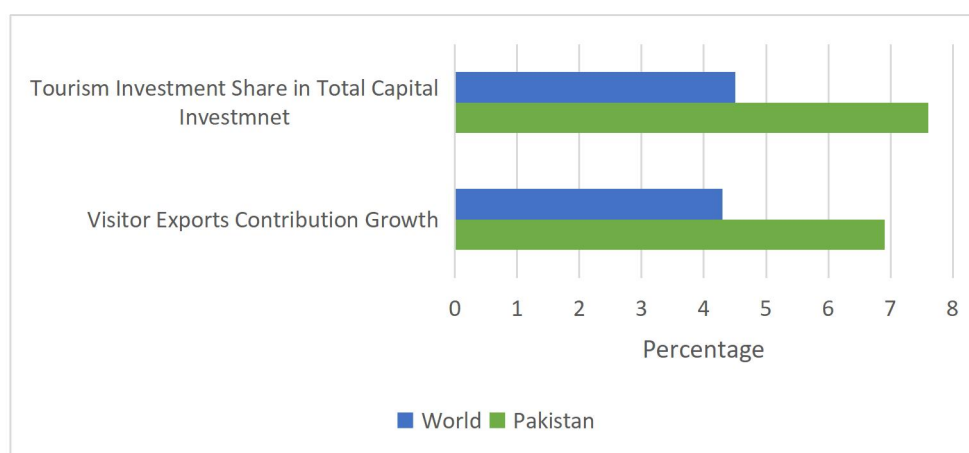
Total contribution to employment in Pakistan was calculated as 6.2%, while the worldwide contribution stood at 9.5%. The tourism investment contribution to total capital investment in Pakistan was a surprising 9.3%, while the global contribution was recorded to be 4.3% in the same year. With a high tourism investment rate and changing social trends, endeavours to promote tourism

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domestically and internationally, the industry is progressing steadily in the country, particularly the Northern Areas of Pakistan. It is estimated that, in the 2016-2026 decade, total percentage contribution of tourism industry to the GDP of Pakistan will grow at an average rate of 4.2% per annum, while the industry's contribution to world GDP is estimated to increase 4.0% in the same period. Total contribution of the tourism industry in the national employment is anticipated to increase by 2.4% between 2016 and 2026, with an estimated direct share of 2.3%. The contribution of visitor exports to total exports and tourism investment to total capital investment in the country are estimated to surpass the world percentage share in the aforementioned, on annual basis during the next decade. These forecasts, based on statistical data and time trends aside the recent socio-economic developments, highlight positive future outlook for growth of the tourism industry in Pakistan and its resultant stimulation of multi-dimensional economic growth (World Travel & Tourism Council, 20016).



**Figure 1.2 Tourism Industry Growth Forecasts (2016-2026)**

**Source: World Travel & Tourism Council**

## **Sustainable Development Approach to Tourism**

Worldwide growth of tourism as an important determinant of economic growth, its status has been elevated to an industry. This industry's rapidly increasing contribution to national income, employment generation, accumulation of foreign exchange reserves, strong export growth, infrastructure development etc is statistically evident; however, the impacts of tourism industry are not confined to

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macroeconomic growth only. Tourism industry has significant effects on local communities via a strong culture-society-environment prism. Unplanned and uncontrolled tourism can prove detrimental to economic outlook of local communities through seasonal income and employment generation, risky economic reliance, exploitation of life-support resources of food and water and fuel energies as well as timber, environmental degradation, ecological disturbance and socio-cultural dilapidation. It is to be noted that approximately two third of the natural world has been degraded by increased human activities since the 1970s, pollution and careless use of harmful products as well exploitation of scenic beauty are among the highlighted factors. This loss of natural world is culminating in damage to biodiversity, deteriorating environment and, so, hazardous climatic changes which will create ecological imbalance. Leadership has a vital role in sustainable development (Ahmad, 2024).

According to estimates, 30% of the presently existent natural species will extinct by the year 2050, approximately 50% of the Amazon rainforest would be lost and 90% of the world's coral reefs would be lost to climatic change and ecological imbalance triggered by human activities including unchecked tourism growth. While climate scientists unanimously attribute climatic change to human activities, the socio-economic and environmental aspects of climatic change and destruction of the natural world have been a subject to debate and research for economist for well over two decades. It has been observed that in order to facilitate the increasing number of tourism arrivals each year, some social changes have been made by locals of various tourist destinations globally. This practice will eventually prove destructive to social outlooks as well as cultural heritages which are denizen to these communities and nations which is a question of loss to human civilization itself. To address these problems arising from continuous and largely unchecked growth of tourism industry, the sustainable development approach is deemed imperative and exceedingly vital.

## **Sustainable Tourism Development: Theoretical Definition**

Sustainable tourism development implies growth of the tourism industry based on culture-environment-economy balance in the long term, maximization of economic

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benefits while sustaining the environment and social outlook to meet the needs of the present without compromising the future. The hypothetical base of sustainable tourism development is permanence of benefits and intra as well as inter-generational development on social justice footings. Sustainable tourism development implies creation of economic opportunities for the local communities and the host countries at present and in the future, conservation of environment, efficient allocation of resources and preservation of socio-cultural heritages through planning and controlled tourism growth, while ascertaining maximum possible satisfaction to tourists today and tomorrow. Sustainable tourism development sets long-run economic and social justice and ecological balance as the foundation for policymaking pertinent to tourism industry growth, on national and international fronts (UNWTO).

## **The Need for Sustainable Tourism Development: The Case of Northern Areas of Pakistan**

Sustainable tourism development is essential to capitalise on the benefits offered by continuous and fast growth of tourism as an industry, over the long run and at minimal cost. The sustained balance between economic, social and environmental dimensions of the impacts of tourism industry growth contingent to prospects for the future generations is indispensable. The ecology-economy-equity nexus is existent and the mechanism of environment-culture-economy cannot be repudiated either. The sustainable development approach to tourism encompasses ecological balance and anthropological sustainability in consistency with economic growth and, therefore, it stands as a requisite to long term benefits of tourism industry growth to the world in entirety, the countries and the local communities in specificity. It is beneficial to the local communities which are affected the most by uncontrolled tourism industry growth.

The Northern Areas of Pakistan host scenic nature, cultural treasures, linguistic and ethnic diversities, ancient archaeological sites and rare habitat in abundance. Due to geographical location and border sharing with Afghanistan, China and India, these regions are of great political importance. Apart from scenic beauty,

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these areas have rich cultural heritage and ethnic diversity with unique cuisine, music, sports, folklore and much more. The primary tourist destinations in Pakistan are located in these areas, from the Himalayan foothills to the green valleys and banks of River Kunhaar and Kabul. These areas are characterised by high and rugged mountain rangers, natural forest covers, meadows and grasslands, glaciers and harsh climatic conditions. These areas are home to some of the most enchanting tourist attractions in the world, drawing attention of the domestic as well as the international tourists. From the second highest mountain peak in the world to the ruins of the oldest civilizations of the world, these areas have undeniable potential for tourism industry growth. The number of tourist arrivals in these areas has drastically increased over the past few years; some reports claim that the Northern Areas of Pakistan received record high tourists in the peak season of 2016.

The growth in tourism industry is resulting in increased income and employment opportunities for the people of these areas, the contribution to GDP as well as the country's total capital investment has also increased. There are, however, high costs being incurred in the form of environmental degradation, exploitation of resources and damage to heritage of the region. Environmental and cultural preservation is given little or no importance in policymaking for promotion of tourism in the Northern Areas, there are no systematic and statistical records on environmental degradation and loss of biodiversity in the area. Neither is there any state institution conducting study on endangered species in the area nor are the stakeholders paying attention to the fast eroding land resources and dying flora and fauna species. Only a 2% of total land area across Pakistan is under forest cover, the major part of which is located in the Northern Areas which is subject to deforestation at a very high rate, approximately 2.5. Only 11% of the forest cover in the Northern Areas is classified as protected areas where timber felling is state controlled, the remaining 89% of the forest cover is threatened by the increased commercial activities in the area. It is estimated that approximately 500 natural species of animals and plants are alarmingly rare and the rapid climatic changes and environmental degradations threatens these species as well other ecological assets



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of the region.

The Northern Areas of Pakistan can be classified as a mountainous area with as many as seven hundred peaks with height over 6000 meters mark and a meagre 10% of the total land as arable. Subsistence agriculture on seasonal basis and livestock are, however, the primary sources of living for the mountain communities of this area. Versed in handicrafts with conventionally low economic returns, these people are dependent on limited agro output and natural forest plants for food and biofuel provisions. With the increased human activity in the area, not only the rare habitat and scenic beauty is endangered due to littering, pollution and exploitation, but the exploitation of these resources to support the annual tourist arrivals in the region has also increased. Neither environmental conservation nor preservation of economic resources is set as a focal of consideration while devising policies to stimulate growth of the tourism industry in the Northern Areas of Pakistan. According to the fourth edition of the assessment report by Intergovernmental Panel on Climate Change establishes that biodiversity and natural habitat in Pakistan, particularly the Northern Areas, are under threat of damage and extinction triggered by elevated human activity in the region.

The reports also suggest that increased human activity in the region will bear dire consequences on not only the present allocation but the future supply of environmental and economic resources. It is postulated that the local communities will be affected adversely in terms of socio-economic aspects of wellbeing and intra and inter-generation justice. The social cost of tourism disadvantageous impacts on the region's cultural heritage to facilitate the tourists unfamiliar to the local language and cuisine is also unaccounted for. While it is true that the rich cultural diversity and heritage of these areas acts as a key factor in drawing tourists, it is also a fact that the locals have to facilitate the tourists with the outlook and ambiance to which the arrivals are more familiar to. The notion of having a home away from home is quite dominant in the tourism business in this area which is proving detrimental to the cultural uniqueness. The damage to archaeological sites and the ruins of religious temples etc presents an alarming situation as well. Provided the upward

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trend in tourism industry growth in the Northern Areas of Pakistan, there is a need for sustainable tourism development in the area to address the dire environment-culture-economy problems at hand (USAID).

Mountains across Asia and Africa have narrow but deep pockets of poverty, these areas constitute the most socially and politically shelved and marginalised and the least developed regions of the world with limited access to education, health and other economic and social opportunities; however, the mountain communities have rich historical heritage, religious, cultural, linguistic and ethnic multiplicity compounded with rare biodiversity, copious landscape assets and astounding natural beauty. These regions have sufficient potential to capitalise on the available resources and stimulate economic growth to alleviate poverty, prosperity of the local communities and contribute to national uplift. Integration of ecological principles with exploitable channels for economic growth, the mountain ranges can benefit from sustainable tourism development to the fullest. Sustainable tourism development in the mountainous regions, such as the Northern Areas of Pakistan, can act as a building block in actualising inter-generational social and economic justice, it can serve as a viable solution for the looming water, food and energy crisis at national as well as international level. Sustainable tourism development in the mountainous ranges is considered vital as it directly impacts the local communities, socially and economically. Based upon the sustainable tourism development approach, several initiatives have been taken around the world, including Nepal, China, Costa Rica and Ecuador where growth potential for tourism industry has been benefited from with integration of ecological considerations to internalise the environmental and social costs human activities and economic exploitation accrue. The Northern Areas of Pakistan have been bestowed upon with benevolent natural assets and unique socio-cultural heritage as well as string roots in ancient civilizations and gradual developments in human history, through sustainable tourism development the objectives of poverty reduction, social integration of the local communities, preservation of the centuries old history and culture and conservation of biodiversity and the region's scenic beauty can be achieved while establishing

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present-future provision balance (Mishra).

## **Economic Benefits of Sustainable Tourism Development to Local Communities in Northern Areas of Pakistan**

Economic development is inclusive of economic growth, social development and ecological balance, the nexus is universally acclaimed and found indispensable. Sustainable tourism development in the mountainous region of the Northern Areas of Pakistan sets its foundation on the aforementioned connexion of ecology, economy and society. Sustainable tourism development builds upon the need for long run economic benefits of tourism industry growth to the local communities for the ensuring of intra and inter-generational socio-economic justice and equity. Sustainable tourism development in the Northern Areas of Pakistan is the most feasible option for exploitation as it capitalises on the present upward trend followed by the industry, the plentiful untapped potential of the region and the several economic benefits integrated with ecological conservation, and the direct impact on the local communities (Khalil & Kakar, 2007).

Sustainable development approach to tourism industry growth creates economic opportunities for the local communities through creating employment for unskilled and semi-skilled labour. With adequate linguistic literacy, the locals can communicate with the tourists, act as tour guides and serve at various motels, hotels and resorts. Urdu is a lingua franca in the Northern Areas of Pakistan, promoted by state media and education system. Since the language is understood and usually spoken by more than 90% of the country's population, direct communication with the domestic tourists is convenient for the local communities, while interns and permanent employees hired by the travel agencies can act as interpreters for foreigners. The locals are acquainted with the rough pathways and the rugged mountain slopes and, therefore, can be hired as ski and trekking team leads as well. Their expertise and knowledge can be used while they can reap economic benefits from these jobs.

Tourism industry growth in the mountain ranges is contingent to the infrastructural development in the area. Establishing communication lines, paving concrete roads

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and ensuring easy access to these areas to facilitate the tourists, infrastructural development can benefit the local communities by providing them with channels to access the nearest towns and cities which will not only provide them with market access, but open avenues for spread of education and ease access to health facilities as well. Through internet and modern channels of communication, social inclusivity as well as economic opportunities can be created for the local communities of the Northern Areas of Pakistan.

The local communities of the Northern Areas of Pakistan have a unique culture and carry a rich heritage from the ancient times. Along with ecotourism, these communities can vastly promote cultural tourism to reap immense economic benefits. Following a sustainable approach, these communities should be catered as the major stakeholders and given complete freedom to own their unique cultural identity. Through policymaking and enforcement, damage to the historical and archaeological sites should be controlled as pollution and environmental degradation should be checked. The local cuisine, music and sports should be made into a primary tourist attraction without altering the original practices in order to render them more agreeable for the unfamiliar tourists. The Kailash New Year Festival and Shandur Polo Festival are the primary examples of cultural and social attraction that the Northern Areas of Pakistan have to offer. However, these communities should not be forced to abandon their intrinsic identity merely to entertain the tourists as the spiritual practices in the Mount Kailash have been tempered with, tarnishing the real meaning and significance these hold for the local communities. Sustainable tourism development can contribute towards promotion of local crafts by establishing market for the beautiful artworks and crafts the local communities of the Northern Areas of Pakistan. Sustainable tourism development can furnish markets for these crafts in the urban hubs and be supported by the infrastructural development which sustainable tourism development can produce (ICUN Pakistan, 2003).

Sustainable tourism development can not only stimulate economic development founded on the ecology-economy-society nexus, but it can prove advantageous

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economically through increased social inclusivity and reduced political marginalisation of these areas (Ali et al., 2025). The local communities in the Northern Areas of Pakistan can benefit politically if tourism industry can support the economy over the long run by creating sustainable opportunities for employment, investment and foreign exchange earnings as well as improving social indicators of human development encompassing liveability and accessibility to basic necessities.

## **Literature Review**

Effort has been made in the recent past to explore the causal relationship between tourism industry growth and sustainable economic development in general and contingent impacts on the local communities in particular as well. Sustainable tourism development has become a subject of interest for researchers as well as policymakers. Tourism industry growth is now being studied in the context of sustainable development which sets environmental and social impacts in alignment with desirable economic benefits for the present generations without costing the future generations. Similar to all other economic sectors, the tourism industry has both positive and negative effects on economy-society-ecology and maximising the positive effects for all generations while curtailing the negative impacts is the core purpose of the sustainable tourism development approach (Mihalic, 2016).

It is important to study the residents and local communities' perceptions of tourism development in the area for it aids in policymaking with reference to community based initiatives. The local communities are the major stakeholders in development of any economic sector, they are the direct recipients of both positive and negative impacts. Studying the perceptions of the locals regarding sustainable tourism development in the remote mountain areas can help in deriving what kind of support would be available to any tourism development initiative and forecasting the success rate of several projects as well. Locals' support for tourism industry growth is vital rather fundamental to sustainability of its benefits in the long term and the root of resident support is contingent to the perceptions of the locals. A positive resident perception plays a pivotal role in successful implementation of policy and sustainable tourism development in the area. Evidence shows that local communities tend to

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support substantial support to tourism development in the area even if the perceptions are not highly positive but the initiatives promise ample and sustainable benefits to the residents in the long term, as concluded (Min, Xiaoli, & Bibu, 2012).

The stage of development in a particular economy, national or regional, has a significant impact on the attitudes of the residents towards tourism development. Available evidence suggests that in underdeveloped localities, people tend to perceive tourism industry growth as a sustainable means of economic development as its low development makes future prospects seem better a proposition validated by a Korean research study by (Ko & Stewart, 2002).

Residents of rural mountain ranges tend to perceive tourism industry growth as an impetus of economic growth in the region and are willing to play their role in sustainable development of tourism in their area. Evidence from a study of the local communities of rural mountain region in Malaysia reveals that the residents of the underdeveloped area have a positive perception of tourism development and are willing to support any relevant initiative. It has been found that the local community in the rural mountain region of Kimbalu National Park Malaysia perceives tourism development as a sustainable mean of improving personal income levels, standard of living and the overall economic status of the area. The study also found that the locals perceive tourism industry development as a source of economic resource development in the area as well, noted (Jaafar et al, 2015).

## **Data and Research Methodology**

This research study has been conducted to establish prospects of sustainable tourism development in the Northern Areas of Pakistan, inclusive of Azad Jammu & Kashmir, Gilgit Baltistan and Khyber Pasktunkhuwa, based on the residents' perception of tourism industry growth in the area. It is to be noted that the study area primarily comprises of the mountain ranges, hill stations and valleys of Pakistan.

The findings of this investigation are based on primary data analysis based on a specifically designed research questionnaire methodology. Respondents from the study area were randomly selected under convenient sampling and interviewed to record their perceptions of tourism industry growth and its impacts on economy,

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ecology and society. A total of 105 randomly sampled residents were interviewed between December 2016 and July 2017. Inferences are drawn on the basis of descriptive analysis of the questionnaire using the software Stata 2014. Perceptions have been evaluated on the basis of asked survey questions, answers of which were recorded on five-points Likert Scale with range from 1 i.e strongly disagree to 5 i.e strongly agree. This economic framework is made functioning by applying an econometric analysis. To this aim, a 5-point Likert scale is used to measure residents' opinion about the level of investment in the tourism activities. The response options are "very low", "low", "medium", "high" and "very high". Hence, an ordered logit model needs to be instigated, where both the ordinal nature of the dependent variable and the difference between a level and another are treated as a level. The model consists of the following dormant regression:

$$y^* = \beta_0 + \beta_1 X_i + \varepsilon$$

$$y = 1 \text{ if } y^* \leq \mu_1$$

$$y = 2 \text{ if } \mu_1 < y^* \leq \mu_2$$

$$y = 3 \text{ if } \mu_2 < y^* \leq \mu_3$$

$$y = 4 \text{ if } \mu_3 < y^* \leq \mu_4$$

$$y = 5 \text{ if } \mu_4 < y^* \leq \mu_5$$

where  $y^*$  is the unobservable latent variable, that satisfies a linear regression model, with  $\beta$  a vector of regression coefficients and  $\varepsilon$ , the disturbance term, that is assumed to have a standard logistic distribution. Since an opinion survey is run, the residents have their own intensity of feelings which depends on a set of factors  $x$  and certain unobservable determinants  $\varepsilon$ .  $y$  are the observed values, or indicators, and have an expurgating description. The  $\mu$  are unknown category boundaries in the distribution of  $y^*$ .

## Results

Results of this research study are based on the perceptions and attitudes of the one hundred and five randomly selected respondents who represent the local communities of the Northern Areas of Pakistan; the polity administered territory of Azad Jammu & Kashmir (AJK), the administrative territory of Gilgit Baltistan (GB) and

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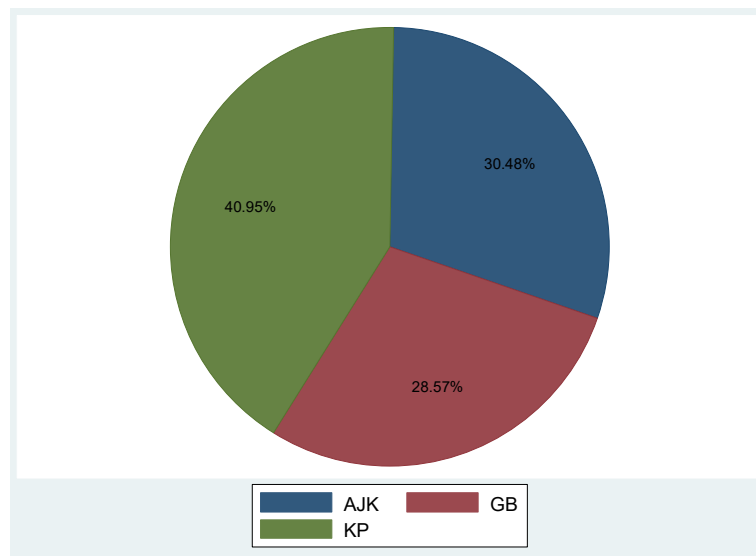
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the province of Khyber Pasktunkhuwa (KP).

## Respondent Characteristics

### Location by Region

The respondents are divided by the region of their residence in three broad categories of Azad Jammu & Kashmir (AJK), Gilgit Baltistan (GB) and Khyber Pakhtunkhwa (KP).



**Figure 4.1.1:** Location by Region of the Respondents

Figure 4.1.1 shows that 30.48% i.e. 32 respondents belonged to Azad Jammu & Kashmir, 28.57% i.e. 30 respondents were the local residents of Gilgit Baltistan while 40.95% or a total of 43 respondents hailed from Khyber Pakhtunkhwa.



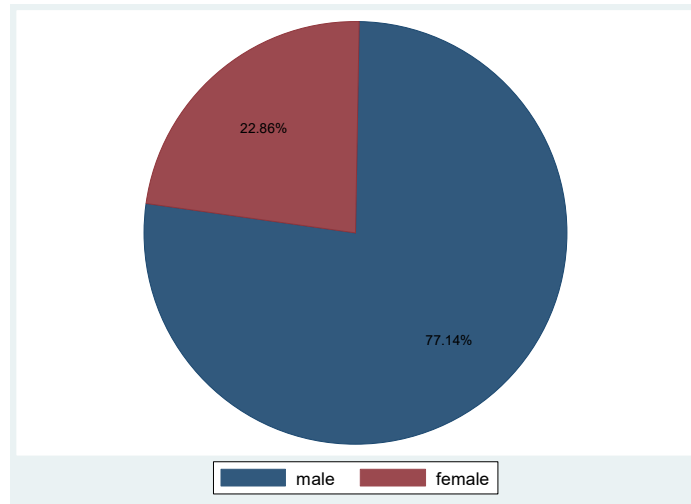
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## Gender

Information regarding the gender of the surveyed respondents was also recorded.



**Figure 4.1.2: Gender**

The Figure 4.1.2 shows that a majority of the respondents, 77.14% i.e. 81 of them, were male while 22.86% i.e 24 respondents were female among the randomly selected 105 respondents.

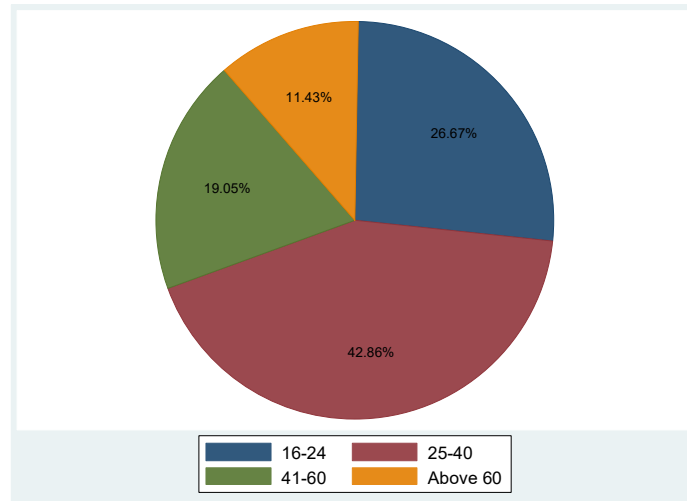
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## Age

Respondents have been classified in four broad age brackets.



**Figure 4.1.3: Age**

The Figure 4.1.3 provides information about the ages of the respondents, according to which 26.67% i.e 28 respondents were aged between 16 to 24 years, 42.86% i.e. 45 respondents were aged between 25 and 40 years, 19.05% i.e. 20 respondents were aged between 41 and 60 years, while the remaining 11.43% i.e. 12 respondents were aged above 60 years.

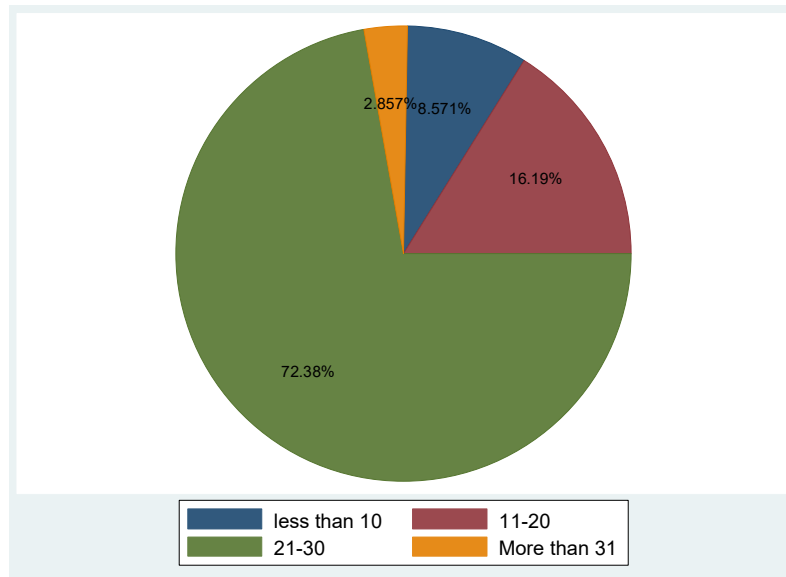
## Years of Residence

The residents were enquired about their years of residence in the particular region upon the basis of which they have been classified in four distinct categories.

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**Figure 4.1.4: Years of Residence**

It is illustrated in the Figure 4.1.4 that 8.57% i.e. 9 respondents have been living in the particular region of their residence for less than 10 years, 16.19% i.e. 17 respondents have been living in the area for a time period between 11 to 20 years, years of residence for 72.38% i.e. 76 respondents were recorded to lie within frame of 21 to 30 years and 2.86% or 3 locals have been living in their present resident locality for more than 31 years.

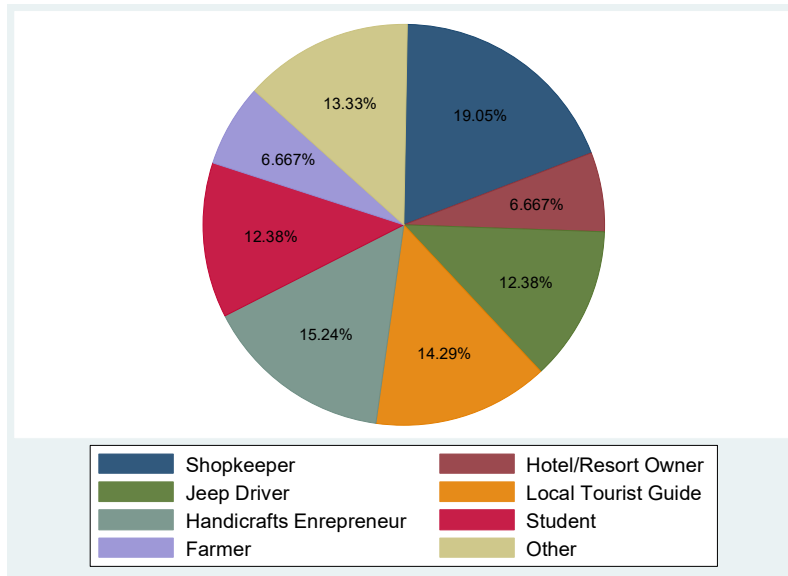
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## Occupation

Respondents have been divided in eight different categories on the basis of their occupation.

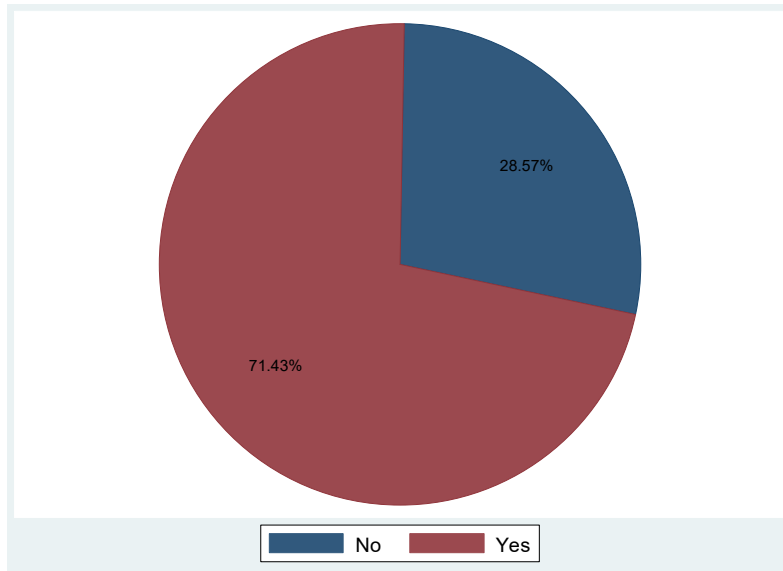


**Figure 4.1.5: Occupation**

Figure 4.1.5 illustrates that 19.05% i.e. 20 respondents were shopkeepers by profession, 6.67% i.e. 7 respondents owned a hotel/resort in the area, 12.38% i.e. 13 of the respondents were jeep drivers, 14.29% i.e. 15 of the surveyed individuals were local tourist guides, 15.24% i.e. 16 of the respondents were handicrafts entrepreneurs, 12.38% i.e. 13 of the surveyed residents were students, 6.67% i.e. 7 respondents were farmers, while 13.33% i.e. 14 of the respondent residents were had some other occupation.

## Direct Interaction with Tourists

The respondents were asked if they had ever interacted with a tourist, whether local or foreign.

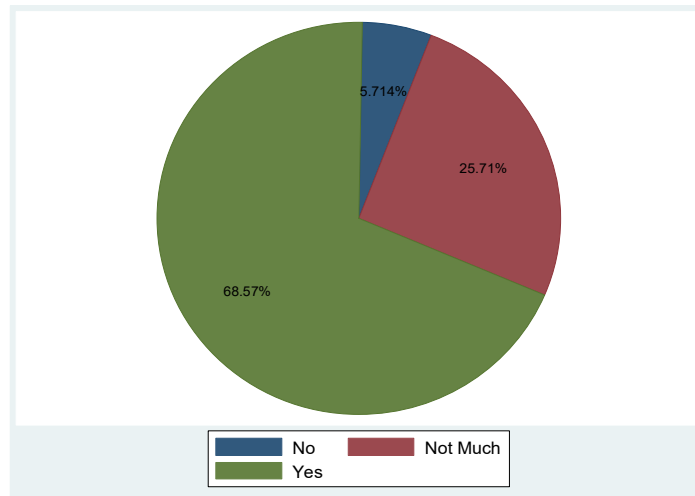


**Figure 4.1.6: Direct Interaction with Tourists**

The findings illustrated in the Figure 4.1.6 show that a good 71.43% i.e. 75 respondents out of the total 105 surveyed locals of the Northern Areas of Pakistan had directly interacted with a tourist at least once in their life, while 28.57% i.e. 30 tourists never had such an opportunity.

## Urdu Literacy

Urdu is not only the national language of the country, but a lingua franca in Pakistan, a language spoken and heard across the country and understood to at least some extent even in the most remote and rural areas. If the locals of the Northern Areas of Pakistan can communicate in Urdu language, development of tourism industry would be a much easier task for communication would not pose a major challenge.



**Figure 4.1.7: Urdu Literacy**

According to the results of this research, 68.57% i.e. 72 respondents can conveniently communicate in the Urdu language, 25.71% i.e. 27 respondents can communicate in Urdu language but are not much literate in the language, while 5.71% i.e. 6 respondents cannot communicate in Urdu language and due to this very reason services of Urdu literates were availed to interview these individuals for this study as well. It can be deduced that language would not pose a barrier in initial growth of the tourism industry in the Northern Areas of Pakistan, particularly domestic tourism.

### **People's Perceptions**

The objective of this research is to study the perceptions of sustainable tourism development among the local communities of the Northern Areas of Pakistan to highlight the relevant community based economic benefits. For this purpose, the respondents were asked particularly formulated questions centric to ecological, social and economic impacts of tourism industry growth in these areas. It is noteworthy that sustainable tourism development studies economic, social and environmental impacts of tourism industry growth in conjunction and therefore, this research studies the people's perceptions of all three aspects of tourism growth in the area with a primary focus on perceptions regarding community based economic benefits of sustainable tourism development. Perceptions are evaluated on a five-points Likert Scale as elucidated in the previous section of the document.

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## Correspondence Analysis

As an initial step of the research, the factor scores that need to be incorporated in the econometric specification are calculated. Specifically, a preliminary correspondence analysis was carried out to take into account the effects of a set of economic, socio-cultural and environmental externalities on the dependent variable (sustainable tourism), as this is the suitable method when the related variables are defined as categorical variables. Here, the externality variables are defined by a 5-point Likert scale from one (complete disagreement) to five (complete agreement), rating the level of covenant by residents on each item.

A Principal Components Analysis (ACP) can be considered as best suited when the presence of a common process underlying the set of measures cannot be hypothesized; in other words, if one wants to analyze variables that are empirically related, but no specific hypotheses are made on the conceptual domain of the variables. Hence, based on an in-depth literature review, a set of externality variables was considered.

### The first set relates to economics externalities.

Variable (Economic Impact )	Elements
1	Tourism is good for economy
2	Increases investment
3	Increases jobs
4	Improves infrastructure
5	Tourism benefits business in our community other than just tourism industries

### Second set includes socio-culture impact which is as follows:

Variable (Socio-Culture Impact)	Elements
1	Enhancement of other cultural knowledge
2	Quality of life changed because of tourism

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3	Increase in recreational activities
4	Quality of life raised
5	Valorization of local tradition

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Finally the last set of variables includes environmental impact of residents' perception i-e;

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Variable (Environmental Impact)	Elements
1	Natural environment in our community is protected by tourism industry now and for future
2	Tourism development improves environment
3	Tourism development promotes positive environmental ethnics

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By using SPSS (Version 21) correspondence procedure, two separate tests were conducted: the Bartlett's test of sphericity and the KMO test (Kaiser-Meyer-Olkin test) that help assessing the pertinence of the sample data. According to the statistical findings, in this case, the sampling adequacy is confirmed by the KMO showing a value close to one (i.e. 0.90) and the Bartlett's test ( $\text{Chi}^2(351) = 16730.340(0.000)$ ), confirms that the correlation matrix is not an identity matrix.

The analysis in this paper further expands to an Equamax rotation method which is used as a combination of the popular Varimax rotation, which prudently streamlines the variables, and the Quart Imax rotation, which sparingly streamlines the number of factors. Secondly, the Anderson-Rubin method is engaged to evaluate factor score coefficients. The resulting scores are uncorrelated, have a mean equal to zero and a standard deviation equal to one. Furthermore, this method also ensures orthogonality of the estimated factors. In this manner, it is possible to include the main factors of interest as repressors into the relevant econometric specification, also avoiding potential problems in the econometric estimation because of possible simultaneity issues between the set of externalities and the dependent variable.

Table 1 shows the mean and standard deviation for all the variables of the study that



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are taken from the correspondence analysis, as well as the frequency for each level of agreement (i.e. the 5-point Likert Scale from 'completely disagree' to 'completely agree').

**Table 1: Statistics and Frequencies of Elements of the Variables**

Descriptive Statistics Variables	Frequencies %						
	Mean	S.D	1	2	3	4	5
<b>Economic Impact</b>							
Tourism is good for economy	3.14	1.22	10.8	21.6	25.0	28.0	14.60
Increases investment	3.26	1.12	6.2	21.5	25.9	33.0	13.5
Increases jobs	3.33	1.23	10.2	15.5	24.1	31.2	19.0
Improves infrastructure	3.56	1.14	21.0	19.2	30.8	16.0	13.0
Tourism benefits business in our community other than just tourism industries	3.48	1.18	10.2	20.5	31.5	19.00	18.8
<b>Socio-Culture Impact</b>							
Enhancement of other cultural knowledge	2.63	1.15	6.8	15.2	27.7	31.3	19.0
Quality of life changed because of tourism	2.57	1.14	13.2	6.2	25.3	25.9	29.4
Increase in recreational activities	2.45	1.19	6.6	17.7	23.6	25.5	26.5
Quality of life raised	2.67	1.13	8.4	18.5	24.5	28.4	20.2
Valorization of local tradition	2.53	1.24	12.9	15.3	25.3	27.5	19.0
<b>Environmental Impact</b>							
Natural environment in our community is protected by tourism industry now and for future	3.56	1.14	25.9	29.4	25.3	13.3	6.8
Tourism development	3.22	1.08	26.5	25.5	23.6	17.7	6.6

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improves environment	3.48	1.13	19.0	27.5	25.3	15.3	12.9
Tourism development							
promotes positive							
environmental ethnics							

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Table 2 presents complete set of results from the correspondence analysis. Specifically, only variables with a factor loading equal to or higher than 0.70 are considered, which indicates a high correlation between the factor and individual items. The first factor is labelled as “economic impact” and presents a reliability Cronbach’s alpha of 0.81. The second factor is defined as “socio-culture impact” and explains 54.26% of the total cumulative variance with a reliability coefficient of 0.74. The third factor “environmental impact” accounts for 10.8% of the total cumulative variance and presents an alpha equal to 0.83. It is worthwhile noticing that values of Cronbach’s alpha equal to 0.70 and below 0.80 can be considered as “acceptable”; while values higher than 0.80 and below 0.90 can be regarded as “good”.

**Table 2: Correspondence Analysis**

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	Variable	% Variance	%	Cronbach’s
	contribution	Explained	Cumulative	Alpha
			Variance	
<b>Economic Impact</b>				
Tourism is good for	0.85			
economy		10.46	45.16	0.81
Increases investment	0.77			
Increases jobs	0.76			
Improves infrastructure	0.73			
Tourism benefits	0.75			
business in our				
community other than				
just tourism industries				

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## Socio-Culture Impact

Enhancement of other cultural knowledge	0.73	9.08	54.26	0.74
Quality of life changed because of tourism	0.72			
Increase in recreational activities	0.64			
Quality of life raised	0.62			
Valorization of local tradition	0.71			

## Environmental Impact

Natural environment in our community is protected by tourism industry now and for future	0.85	10.79	34.79	0.83
Tourism development improves environment	0.76			
Tourism development promotes positive environmental ethnics				

---

**Table 3: Descriptive Statistics**

Demographic Characteristic	Variable	Frequency	Percentage (%)
Gender	Male	40	80.0%
	Female	10	10.0%
Age Group	20-29	12	24.0%
	30-39	18	36.0%
	40-49	06	12.0%
	Above 50	14	28.0%

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<b>Education Level</b>	Matriculation	8	16.0%
	Intermediate	21	42.0%
	Post Graduate	18	36.0%
	Above P/G	03	6.0%
<b>Length of Residence</b>	Below 1 year	01	2.0%
	1-5 years	17	34.0%
	6-10 years	24	48.0%
	> 11 year	08	16.0%
	Industry Sector	9	18.0%
<b>Occupation</b>	Services Sector	26	52.0%
	Student	5	10.0%
	Retired	7	14%
	Unemployed	3	6.0%

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## The Generalized Ordered Logit

Table 3 provides descriptive statistics of all the variables used to assess the residents' perceptions. The dependent variable measures to what degree the target residents' perception proves fruitful in sustainable tourism market. This is a categorical variable and takes values from one (very low support) to five (i.e. very high support), based on a 5-point Likert scale. A set of socio-demographic and economic determinants are also included in the specification.

As previously stated, residents' perceptions on the externalities produced by the tourism activity, which are the extracted factors by the correspondence analysis, are also included into the econometric specification as determinants. Tables 4 and 5 present marginal effects and odds ratio, respectively, obtained by running the mixed gologit model, by using the STATA package (Version 21.0). The number of observation is 50 and the Wald test indicates that the coefficients are jointly statistically significant. The generalized ordered logit specification is empirically better than the ordered logit specification which was found running both the Brant test, where the null hypothesis is rejected at the 5% level of significance, and the likelihood-ratio test, where the null hypothesis is rejected at the 10% level of significance.

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The coefficients obtained for each group show some differences in terms of magnitude, signs and their statistical significance. In this case, one assumes that the effect of the explanatory variables on the dependent variable varies across the range of Y.

**Table 4: Mixed Generalized Ordered Logit Results**

Variables	Very Low	Low	Medium	High	Very High
<b>Fact 1: Economic Impact</b>	<b>0.031(0.008)***</b>	<b>-0.015</b> (0.010)	-0.013 (0.013)	<b>0.044</b> (0.014)***	0.015 (0.011)
<b>Fact 2: Socio-Culture Impact</b>	-0.000 (0.008)	-0.013 (0.009)	<b>-0.033</b> (0.013)***	<b>0.029</b> (0.014)**	<b>0.018</b> (0.011)*
<b>Fact 3: Environmental Impact</b>	-0.0117 (0.007)	<b>-0.022</b> (0.001)**	<b>-0.023</b> (0.013)*	<b>0.026</b> (0.014)*	<b>0.030</b> (0.011)***
<b>Wald Test</b>	Chi <sup>2</sup> (80)=279.91***				
<b>Pseudo-R<sup>2</sup></b>	0.0735				
<b>Log-Likelihood Test ^</b>	Chi <sup>2</sup> (66) = 84.45*				
<b>Bran Test^^</b>	Chi <sup>2</sup> (60)=89.23***				

Notes: marginal effects in square parenthesis; standard errors from the *gologit* in parenthesis; \*, \*\*, \*\*\* 10%, 5% and 1% level of significance – in bold only statistically significance coefficients; ° the number of observations, ^ Log-likelihood test of proportionality of odds across response categories; ^^Brant test of parallel regression assumption.

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Table 5: Mixed Generalized Ordered Logit Results – Odds Ratio

Variables	Very low vs. (low, medium, high, very high)	(Very low, low) vs. (medium, high, very high)	Very low, low, medium) vs. (high, very high)	(Very low, low, medium, high) vs. (very high)
Fact 1: Economic Impact	1.17 (0.128)	<b>1.24</b> (0.089)**	<b>1.25(0.074)**</b> *	<b>1.23</b> (0.093)***
Fact 2: Socio-Culture Impact	<b>1.23(0.155)</b> *	<b>1.49</b> (0.117)**	<b>1.30</b> (0.083)***	<b>1.46(0.117)**</b> *
Fact 3: Environmental Impact	0.90 (0.116)	<b>0.84</b> (0.067)**	<b>0.81</b> (0.049)***	<b>0.74</b> (0.057)***
Number of 50 Observations °				
Wald Test	Chi <sup>2</sup> (80)=279.91***			
Pseudo-R <sup>2</sup>	0.0735			
Log-Likelihood Test	Chi <sup>2</sup> (66) = 84.45*			
^				
Bran Test^^	Chi <sup>2</sup> (60)=89.23***			

Notes: standard errors from the gologit in parenthesis; \*, \*\*, \*\*\* 10%, 5% and 1% level of significance – in bold only statistically significance coefficients; ^ Log-likelihood test of proportionality of odds across response categories; ^^Brant test of parallel regression assumption.

## Discussion

Impacts of tourism industry growth can be broadly categorised as economic, environmental and social and the evaluation of perceptions of the local communities

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of these impacts is fundamental to policymaking in community based initiatives for tourism development in any area. Perceptions about the economic consequences of tourism development are vital because it is the prospects of perceptive community based economic benefits which draw support for development of this industry, as inferred by Brida et al (2011). Tourism development can be made sustainable only with the involvement of the local communities because they are the directly affected. They are the direct beneficiaries of the positives and the direct victims of negatives as well. It is, therefore, imperative to study community perceptions. Resident perceptions have been a subject of interest for researchers as well as policymakers but such endeavours have been of insignificant emphasis in Pakistan. This paper lays the foundation of such endeavours centric to the Northern Areas of Pakistan, inclusive of Azad Jammu & Kashmir, Gilgit Baltistan and Khyber Pakhtunkhwa.

Based on questionnaire based primary data research, the findings of this research study establish that the local communities of the Northern Areas of Pakistan have an overall positive perception of tourism industry growth. A total of 105 respondents selected under convenient sampling provide substantial information to state that majority of the residents of the Northern Areas of Pakistan consider tourism industry growth as a potential engine of economic growth in the region which would mill benefits directly for the local communities. Results show that residents perceive that tourism industry growth degrades the environmental quality and ecological balance in the area, however, is largely insignificant in posing any threats to local culture and social norms in the long run. Residents view tourism industry growth as an opportunity for the local communities to improve the overall standards of living benefiting from rising income levels, job creation, availability of entrepreneurial opportunities, infrastructural development etc. The locals of the Northern Areas of Pakistan have been found as positively perceptive towards potential community based intra and inter-generational economic benefits from sustainable tourism development. It is notable that the findings of this study that people from the underdeveloped Northern Areas of Pakistan are positively perceptive towards sustainable economic development are consistent with the

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conclusions drawn by (Ko & Stewart, 2002).

Among the interviewed individuals, over 80% of the respondents have been found to be of the view that if the local communities are taken on board and given enough rights and authorities to incentivise their activities, sustainable tourism development initiatives can be rendered more effective in cultural and environmental preservation as well exploitation of the resources and creation of economic opportunities. Respondents classify tourism industry as the primary source of employment and income generation for the local communities of the Northern Areas of Pakistan, as hypothesised by this paper. The locals are of the view that if comprehensive community-based sustainable development policies are enforced, the pressing issue of seasonal. unemployment in these areas can also be addressed. These findings are congruent with the inferences made by (Jaafar et al, 2015) that establish the willingness of communities to participate and support tourism development in the area if they perceive that tourism industry growth would bear long term economic benefits for themselves.

Considering the overall economy, Pakistan's tourism industry is forecasted to grow at a rate above the global forecast by World Travel & Tourism Council (2016). It is to be noted that the Northern Areas have the brightest prospects of tourism industry growth in coming years. Table 5.1 tabulates the estimated trends in number of jobs to be created by tourism industry growth and the industry's total share in Pakistan's gross domestic product for the decade between 2017 and 2027 based on the available data for twenty-two years, ranging between 1995 and 2016.

**Table 5.1**

Year	% Share of Total Employment	% Share of GDP
2017	6.07233	6.90649
2018	6.09798	6.93406
2019	6.13091	6.96954
2020	6.15396	6.99377
2021	6.18999	7.03271



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2022	6.21595	7.05997
2023	6.22946	7.07304
2024	6.24346	7.08642
2025	6.25701	7.09946
2026	6.297	7.14199
2027	6.34274	7.19044

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**Source: World Travel & Tourism Council 2017**

## **Conclusion**

This research study has been conducted to study the people's perception of community based economic benefits of sustainable tourism development in the Northern Areas of Pakistan, inclusive of Azad Jammu & Kashmir, Gilgit Baltistan and Khyber Pakhtunkhwa. A total of 105 residents were interviewed per a particularly designed research questionnaire for this purpose. The respondents were selected on the basis of convenient sampling, the time frame of primary data collection was between December 2016 and July 2017. A careful study of presently available theory and metadata forecasts as well as the survey results provide sufficient evidence to support sustainable development approach to tourism industry growth in the Northern Areas of Pakistan. Evaluation of people's perceptions via this study provides ample evidence that the locals perceive the tourism industry growth a much-needed impetus for economic progress of these communities and are willing to support community based initiatives in this regard. Secondary data forecasts made by the World Travel & Tourism Council (2016) propose strong prospects of tourism industry growth in Pakistan on the overall basis.

Sustainable tourism development can result in creation of economic opportunities integrated with environmental stability, ecological balance and preservation of cultural identity in the Northern Areas of Pakistan. It can meet the needs of the present time and hold the carrying capacity for the times to come. The future prospects for the local communities of the Northern Areas of Pakistan can be greatly improvised through making and enforcement of policies centric to sustainable tourism development.

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