



# Characteristics of Growth and Performance in the Hotel Industry in Nepal

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## ABBREVIATIONS

ANOVA	Analysis of Variance
CBS	Central Bureau of Statistics
CCV	Control Variable: Intensity of Market Competition
Dol	Department of Immigration
EKPI / EKPIs	Enterprising Key Performance Indicators
FPM	Financial Performance Measures
GOPPAR	Gross Operating Profit per Available Room
HAN	Hotel Association Nepal
HP	Hotel Performance
ILO	International Labour Organization
IOP	Internal Operation Processes
KPIs	Key Performance Indicators
LKPIs / LKPI	Learning Key Performance Indicators
MoCTCA	Ministry of Culture, Tourism and Civil Aviation
MoF	Ministry of Finance
NFIOP	Non-Financial Performance Measure: Internal Operation Processes
NFCV	Non-Financial Performance Measure: Control Variable
NSO	National Statistics Office
NTB	Nepal Tourism Board
RevPAR	Revenue per Available Room

## EXECUTIVE SUMMARY

This study examines the influence of key performance indicators (KPIs), financial measures of performance, and non-financial measures of performance on hotel performance in Nepal's hospitality sector. Utilizing survey data from 356 respondents across all seven provinces of Nepal, the research explores the role of both financial and non-financial performance dimensions in shaping strategic outcomes. Ordered Logit Regression analysis reveals that learning and internal operations KPIs are statistically significant and positively associated with hotel performance, while financial performance measures show a near-significant positive relationship. In contrast, enterprising KPIs do not exhibit a significant impact. One-way ANOVA analysis demonstrates significant variations in the perceived importance of KPIs based on hotel service standards, provincial locations, and the educational backgrounds of top-level managers and owners, emphasizing the contextual nature of performance prioritization. Notably, green/sustainability KPIs are uniformly valued across service standards, suggesting widespread environmental awareness and its benefits. The KPI rankings further highlight a shift toward administrative and strategic dimensions, with financial metrics receiving lower relative importance. These findings suggest a transition in Nepal's hotel industry toward a broader, more nuanced understanding of performance, where non-financial indicators and contextual factors play a critical role in managerial decision-making.

Key Words: Hotel Performance; Key Performance Indicators; Learning; Hospitality

## 1. INTRODUCTION

The hotel industry is a cornerstone of Nepal's tourism sector, contributing significantly to economic growth, employment, and foreign exchange earnings. As a central pillar of the hospitality ecosystem, the industry provides essential services to both domestic and international travelers. Given Nepal's reputation for adventure tourism, cultural exploration, and religious pilgrimages, the hotel sector is vital to supporting the country's growing visitor base. In 2024, the industry experienced significant recovery and expansion, driven by rising tourist arrivals, international investment, and infrastructure improvements. Following the pandemic, the sector rebounded strongly with over 1.15 million foreign arrivals in 2024. While this remains slightly below the 2019 peak of 1.20 million, it represents a robust 13.07% increase over 2023 (Department of Immigration [DoI], 2024).

Over the years, the sector has transformed into a sophisticated landscape of approximately 10,000 establishments, ranging from budget lodgings to upscale international chains (Central Bureau of Statistics [CBS], 2023). Strategic government initiatives, such as Tourism Vision 2030, aim to establish Nepal as a year-round destination, further expanding opportunities for the hotel business (Ministry of Culture, Tourism and Civil Aviation [MoCTCA], 2022). Looking ahead, the industry is poised for continued growth fueled by infrastructure development and foreign capital. The emergence of sustainable tourism, digital transformation, and wellness travel presents new strategic opportunities. However, long-term success will depend on enhancing service quality, marketing Nepal as a premium destination, and further modernizing infrastructure.

### 1.1 CONTRIBUTION TO THE ECONOMY, EMPLOYMENT, AND TOURISM

#### a. Economic Impact

- The hospitality sector contributes substantially to Nepal's GDP, generating NPR 326 billion annually, which accounts for approximately 7.5% of the total GDP (CBS, 2023). According to the Nepal Rastra Bank (2024), tourism-related services, including hotels, contribute nearly 25% of the country's total foreign exchange earnings. The sector has shown consistent growth, with luxury hotels reporting profit increases of up to 71% in 2024.
- Bagmati Province dominates the industry, contributing NPR 152.08 billion (46.6%) of the total hospitality revenue, followed by Gandaki (22.3%) and Koshi (15.1%) (CBS, 2023).
- The government's fiscal year 2023/24 economic survey reveals that the hotel industry's gross value added (GVA) grew by 12.3%, outperforming many other service sectors (Ministry of Finance [MoF], 2024).

#### b. Employment Generation

- As a major source of employment in Nepal, the hospitality sector directly provides jobs for 106,459 individuals (CBS, 2023). It provides for indirect employment in associated industries such as supply chains and support services; the total employment effect surpasses 350,000 positions (International Labor Organization [ILO], 2023). The industry plays a particularly important role in several key areas.
- For youth employment, statistics show that 58% of hospitality workers fall within the 18-35 age bracket (ILO, 2023). Regarding gender representation in the workforce, women comprise 32% of the workforce, exceeding the national average for female employment participation (CBS, 2023).
- community-based accommodations like homestays and eco-lodges have created over 15,000 jobs, supporting local economies and contributing to rural development (Nepal Tourism Board [NTB], 2024).

### **c. Tourism Linkage**

- The hotel industry's success is deeply connected to tourism patterns in Nepal. Data indicates that 78% of international visitors utilize formal lodging options (NTB, 2024), while domestic travelers account for 42% of total hotel occupancy rates (Hotel Association Nepal [HAN], 2024<sup>a</sup>).
- International tourists typically stay for an average of 12.3 days, spending approximately 48 USD daily, which significantly benefits hotel revenues and local businesses (MoCTCA, 2023).
- Current government programs, including the "Visit Nepal Decade 2023-32" promotion and infrastructure developments like the new international airports in Pokhara and Bhairahawa, are anticipated to stimulate further growth in the hotel sector (MoCTCA, 2023). Nevertheless, several challenges persist.
- Seasonal fluctuations present a major issue, with 68% of tourists arriving during peak periods (October-November and March-April) (NTB, 2024). Infrastructure limitations are evident, as only 42% of hotels enjoy consistent year-round water access (CBS, 2023). Workforce development remains a concern, with 62% of employees lacking professional hospitality training (ILO, 2023).

## **1.2 HISTORICAL BACKGROUND**

The formal history of Nepal's hotel industry began in the early 1950s with the establishment of the short-lived Nepal Hotel in Jawalakhel. A significant turning point occurred in 1951 when Boris Lissanevitch opened the Royal Hotel in Kathmandu's Seto Durbar, introducing international-style accommodations and services to the country (Pradhan, 2018). This era saw the emergence of several pioneering establishments, including the Parash Hotel (1952), the Snow View Hotel (1954), and the Coronation Hotel (1956)—the latter being the first purpose-built hotel in Nepal. These early developments were driven by a growing influx of foreign travelers and mountaineers drawn to the country's Himalayan landscapes and cultural heritage (Parajuli, 2011).

In 1966, the Hotel Association Nepal (HAN) was founded with eight charter members. During the tourism boom of the 1970s and 1980s, HAN was instrumental in shaping government tourism policies as star-rated hotels expanded beyond Kathmandu into Pokhara and Chitwan. This period also marked the entry of international chains, which introduced modern management systems and technology to the local industry (HAN, 2026). By the 1990s, the sector faced evolving demands for international-standard services and skilled human resources. HAN addressed these challenges by collaborating with international organizations and lobbying for strategic policy support to sustain the industry's rapid expansion.

## **1.3 MARKET OVERVIEW**

As shown in Table 1, the total number of hotels, lodges, and resorts has crossed 12,000. Kathmandu Valley remains the dominant hub, accounting for 42% of the total inventory, followed by Pokhara (23%) and Chitwan (12%) (CBS, 2023). This geographic distribution mirrors performance metrics: in 2023, five-star properties in Kathmandu achieved 68% occupancy, while Pokhara's premium segment reached 62% (HAN, 2024a).

Growth is primarily propelled by a recovering international market—led by India (21%), China (15%), and the US (12%)—alongside a stable domestic segment that now accounts for 42% of total occupancy (NTB, 2024). These demand drivers are bolstered by supply-side developments, including \$85 million USD in property upgrades and the entry of global brands such as Marriott, Hyatt, and Hilton (HAN, 2024a; 2025b). Investors view the sector as a promising frontier due to relative political stability and the professionalization of management systems brought by these international chains.

However, sustained growth requires addressing critical bottlenecks. While technological advancements like AI-driven guest services and 5G connectivity are reshaping the landscape, the industry still faces high maintenance costs and data security concerns. To attract a higher share of high-spending tourists and ensure long-term competitiveness, several factors have been identified to bolster the segment, such as enhanced air connectivity, infrastructure modernization, and targeted digital marketing (HAN, 2025b).

### 1.3.1 TYPES OF HOTELS AND ACCOMMODATION

Nepal's hotel industry offers a diverse range of accommodation options catering to different types of travelers, including budget tourists, adventure seekers, business professionals, and luxury travelers. These accommodations vary in terms of facilities, pricing, and service standards.

**Table 1: Type of Establishment by Registration Status and Province**

Area	Type	Total	Star Hotel	Non - Star / Lodge	Resort	Home Stay	Hostel	Restaurant	Catering/ Party Palace
Nepal	Registered	89,779	126	10,117	126	1,162	1,047	76,400	801
	Not Registered	52,444	-	1,802	-	183	-	50,459	-
	Total	142,223	126	11,919	126	1,345	1,047	126,859	801
Koshi	Registered	16,284	7	1,788	9	210	53	14,082	135
	Not Registered	9,604	-	540	-	36	-	9,028	-
	Total	25,888	7	2,328	9	246	53	23,110	135
Madhesh	Registered	5,468	10	221	-	15	5	5,190	27
	Not Registered	6,272	-	2	-	-	-	6,270	-
	Total	11,740	10	223	-	15	5	11,460	27
Bagmati	Registered	29,784	75	2,475	84	329	946	25,378	497
	Not Registered	22,338	-	150	-	21	-	22,167	-
	Total	52,122	75	2,625	84	350	946	47,545	497
Gandaki	Registered	12,242	10	1,640	27	440	17	10,019	89
	Not Registered	4,735	-	139	-	112	-	4,484	-
	Total	16,977	10	1,779	27	552	17	14,503	89
Lumbini	Registered	15,767	20	1,258	3	135	24	14,282	45
	Not Registered	4,391	-	38	-	-	-	4,353	-
	Total	20,158	20	1,296	3	135	24	18,635	45
Karnali	Registered	4,141	-	1,603	1	5	1	2,531	-
	Not Registered	2,970	-	811	-	-	-	2,159	-
	Total	7,111	-	2,414	1	5	1	4,690	-
Sudur-pashchim	Registered	6,091	4	1,131	2	27	1	4,919	7
	Not Registered	2,137	-	122	-	15	-	2,000	-
	Total	8,228	4	1,253	2	42	1	6,919	7

Source: National Statistics Office (NSO), 2024, pg. 25

Nepal's hospitality industry caters to a wide spectrum of travelers, from luxury seekers to budget adventurers. With increasing investments and international brands entering the market, the diversity in accommodation options is expected to expand further, boosting Nepal's tourism industry.

The hospitality industry in Nepal exhibits significant variations in performance and service delivery, influenced by a range of factors such as location, infrastructure, management quality, staff training, and adherence to global standards. While some hotels excel in providing exceptional experiences, others struggle due to resource constraints, inconsistent policies, or limited professional expertise. Additionally, external elements like seasonality, tourism trends, and economic conditions further shape service standards. This diversity underscores the need for continuous improvement and adaptation, ensuring that Nepal's hospitality sector remains competitive and capable of meeting the expectations of both domestic and international guests.

### 1.3.2 REQUIREMENTS FOR STAR HOTELS IN NEPAL

**Table 2: Requirements for Star Hotels in Nepal**

Category	5 Star	4 Star	3 Star	2 Star	1 Star
<b>No. of rooms</b>	80	60	45	30	15
<b>Rooms Area (Square Feet)</b>	250	230	196	169	169
<b>Bed Size</b>	15 % King or Queen - sized	15 % Queen Sized	10% Queen Sized	39x54 Sized Bed	39x54 Sized Bed
<b>Lobby Size (Person)</b>	60 persons	40 persons	30 persons	Sufficient Space and a Sofa to Sit	Sufficient Sofa to Sit
<b>Manager (Diploma in Hotel Management)</b>	100% With at least 3 Years of Experience	80% With at least 3 Years of Experience	80% With at least 3 Years of Experience	80% With at least 3 Years of Experience	-
<b>Parking Space</b>	not less than 25% of the number of rooms	not less than 25% of the number of rooms	At least 20 vehicles	At least 10 vehicles	At Least 5 vehicles
<b>Facilities</b>	Swimming pool, children's swimming pool, and sunbathing area should be surrounded by trees and flora for privacy.	Air conditioning, CCTV system, conference hall, swimming pool, health club, fitness center, sauna bath, sports facilities, and coffee shops	All rooms should be equipped with air conditioning.	Attached bathrooms, Wi-fi, CCTV	-

Source: Imperial Law Associates, 2025

### 1.3.3 HOTEL OCCUPANCY

Nepal's hotel sector has faced significant challenges in maintaining profitability due to fluctuating occupancy rates, particularly in the aftermath of the COVID-19 pandemic. Reports indicate that occupancy declined sharply, with many establishments struggling to meet the survival threshold (Neupane, 2024). The Nepal Economic Forum highlights that inconsistent tourist arrivals, infrastructure limitations, and economic disruptions have contributed to this volatility, hindering profitable operations (Rijal & Shrestha, 2023). While five-star hotels previously recorded occupancy rates exceeding 60%, recent downturns have forced many to adopt aggressive pricing strategies to attract guests (Garima Capital, 2023). This is impacting the profitability of the high-end hotels as the hotel sector in Nepal typically requires a 50–60% occupancy rate to break even,

with higher rates necessary for profitability in urban hubs like Kathmandu and Pokhara (Sharesansar, 2015).

Economic fluctuations and seasonal tourism significantly influence these thresholds. Nepal's reliance on peak seasons (spring and autumn) necessitates higher occupancy during these windows to offset the leaner months. Similarly, global hotel chains leverage dynamic pricing and diversified revenue streams, such as food and beverage services, to maintain profitability even during periods of moderate occupancy (World Travel & Tourism Council, 2021).

#### **1.4 STUDY CONTEXT AND OBJECTIVES**

Nepal's hotel sector, through its deep integration with tourism, serves as a vital pillar of the national economy. High-performing and expanding hotels not only bolster the tourism ecosystem but also generate significant employment and stimulate local commerce. The revenue generated by these establishments creates a multiplier effect, benefiting auxiliary industries such as food and beverage, transportation, and retail. Furthermore, a robust hotel industry attracts foreign direct investment (FDI) and catalyzes local infrastructure development. Given this economic significance, ensuring the sector's vitality is essential for broader national growth. In this context, this study explores the factors influencing the growth and performance of Nepal's hotel industry, guided by the following three objectives:

1. To identify factors that affect performance and growth in the Nepali hotel industry.
2. To identify the 'Key Performance Indicators' considered important by top-level managers and owners of Nepali hotels.
3. To identify if the consideration of 'Key Performance Indicators' differs across hotel characteristics.

## 2. LITERATURE REVIEW

Hotel performance measurement is inherently complex and multidimensional, utilizing financial, non-financial, and operational indicators to capture its various facets. Financial KPIs—such as revenue per available room (RevPAR), gross operating profit per available room (GOPPAR), and return on assets (ROA)—are pivotal in assessing profitability and operational efficiency (Sainaghi, 2011). Simultaneously, non-financial indicators like customer and employee satisfaction, along with service quality, emphasize the qualitative aspects critical for sustained growth and competitive positioning. Operationally, metrics such as occupancy rates and productivity/utilization ratios are essential for evaluating resource efficiency and capacity management. Hotels often complement these metrics with benchmarking analysis to compare performance against competitors and industry standards (Parkan, 2005). Furthermore, the integration of data analytics allows hotels to monitor trends and forecast future performance, empowering managers to make strategic decisions based on real-time insights. In the modern hospitality landscape, digital transformation plays an increasing role in refining KPIs—particularly in personalized customer engagement, automation, and cost optimization—ensuring more efficient resource allocation and service enhancement (Pnevmatikoudi and Stavrinoudis, 2016).

The hotel industry in Nepal faces unique challenges and opportunities, with employee qualification, training, experience, and administrative efficiency emerging as critical determinants of organizational performance. Employee qualification directly influences problem-solving abilities and adaptability to organizational culture, thereby enhancing overall performance. Similarly, training and experience foster strategic decision-making and operational competence, making them indispensable for a dynamic hospitality sector (Pereira et al., 2019). Administrative efficiency further contributes to organizational success by ensuring goal alignment and maintaining employee morale during crises, such as the COVID-19 pandemic. However, while location traditionally plays a significant role in service industries, its impact on performance within Kathmandu's hotel sector has become minimal due to improved connectivity and technology (Gossling et al., 2021). Beyond these internal factors, Nepal's evolving business environment has prompted hotels to adopt sustainability practices and innovative service models to differentiate themselves. Technological advancements—including online booking platforms, contactless check-ins, and customer data analytics—enable greater operational agility and engagement. Furthermore, investments in human resource development, particularly leadership training and cross-functional skill-building, are increasingly critical for ensuring employees remain adaptable to changing industry demands (Chalise, 2021).

Performance measurement systems in hotels emphasize the integration of financial, non-financial, and operational indicators to ensure sustainable growth and competitiveness. Financial Key Performance Indicators (KPIs), such as sales growth, are pivotal for assessing profitability (Wadongo et al., 2010). Non-financial indicators—including customer satisfaction surveys and guest evaluations—focus on enhancing service quality and fostering loyalty, both of which are vital for long-term organizational success. Operational KPIs, such as response times to guest requests and supplier compliance with purchasing standards, reflect process efficiency and adaptability to dynamic customer needs. These measures collectively drive performance by aligning operational strategies with overarching business goals. To further refine these measurements, hotels often implement performance dashboards that provide real-time tracking and visualization of key data points. Employee engagement metrics, such as training effectiveness and job satisfaction levels, are also gaining traction as part of a more holistic assessment approach (Kanje et al., 2020). Additionally, the rising importance of environmental, social, and governance (ESG) factors means that sustainability initiatives—such as energy-efficient operations and ethical sourcing—are increasingly integrated into performance evaluations, reflecting a commitment to responsible business practices.

The study conducted by Kala and Bagri (2014) emphasizes the significance of a balanced approach to performance measurement in the hospitality industry, focusing on both financial and non-financial key performance indicators (KPIs). Financial KPIs—such as total revenue, room sales, occupancy rates, and sales growth—are highlighted as dominant measures of organizational success, reflecting profitability and market position. Non-financial KPIs, including customer satisfaction, employee performance (encompassing skill, competence, and appearance), and service delivery innovation, emphasize the qualitative dimensions essential for long-term sustainability. Many experts advocate for integrating these dimensions to create a comprehensive evaluation framework, enabling managers to respond effectively to a dynamic competitive environment (Chan, 2004). Recent advancements in revenue management, including dynamic pricing algorithms and predictive analytics, allow hotels to optimize pricing models based on real-time market demand. Moreover, the focus on employee performance is expanding beyond traditional metrics to include emotional intelligence, adaptability, and customer relationship management. Additionally, digital marketing effectiveness—spanning social media engagement, online reputation management, and influencer partnerships—has become an increasingly influential component of the modern performance measurement framework.

The use of both financial and non-financial Key Performance Indicators (KPIs) plays a vital role in enhancing hotel performance. Financial indicators—such as revenue per available room (RevPAR), operating income, and revenue growth—are essential for evaluating profitability and resource utilization efficiency. Simultaneously, non-financial measures focusing on customer satisfaction, service quality, employee skills, and innovation drive long-term success by leveraging intangible assets. Internal business processes, including the maintenance of physical assets and time efficiency, further ensure operational excellence. The balanced use of these indicators, aligned with the Balanced Scorecard framework (customer, internal processes, and learning and growth), enables managers to identify areas for improvement and make informed decisions (Kaplan and Norton, 1996, 2005). Increasingly, hotels are embracing artificial intelligence (AI) and machine learning to automate data-driven insights into customer preferences, pricing strategies, and operational efficiency. This approach is further complemented by efforts to enhance brand reputation through corporate social responsibility (CSR) initiatives, which reinforce customer trust. Finally, metrics related to employee retention and workplace culture are gaining prominence as organizations recognize that a motivated workforce is fundamental to delivering superior guest experiences (Baroma, 2021).

## **2.1 NEPAL'S CONTEXT**

In Nepal's hotel industry, the predominance of unlisted and informal establishments limits access to reliable data, rendering formal financial reporting difficult. Consequently, financial KPIs—such as RevPAR, GOPPAR, and occupancy rates—are challenging to measure accurately due to fragmented reporting systems and a lack of standardized practices. External factors, including political instability and economic fluctuations, further impact revenue streams, while high operational costs for labor and energy restrict overall profitability.

Given this limited transparency, non-financial qualitative metrics—such as customer satisfaction, employee competence, and service quality—emerge as indispensable tools for evaluating success. Chalise (2021) underscores how learning initiatives and administrative efficiency enhance adaptability and crisis management, while Wadongo et al. (2010) emphasize that operational KPIs, like response times and guest evaluations, allow hotels to compensate for data gaps through service excellence. Ultimately, the sector must prioritize these non-financial indicators to navigate unique challenges, as advocated by the Balanced Scorecard framework (Baroma, 2021).

## 2.2 CONSTRAINTS TO GROWTH AND PERFORMANCE OF HOTELS IN NEPAL

Several interconnected factors hinder the performance of Nepal's hotel industry. Internally, inadequate employee qualifications and persistent skill gaps limit service quality, while administrative inefficiencies and bureaucratic hurdles in licensing and taxation disrupt operations and discourage investment (Chalise, 2021; Hakuduwal, 2021). These structural hurdles are compounded by a lack of strategic investment in modernizing facilities and a heavy reliance on international tourism, which creates significant revenue volatility during seasonal dips or external crises.

Furthermore, inadequate digital transformation remains a critical barrier. Many hotels still lack robust online booking systems, dynamic pricing strategies, and effective digital marketing (Faizal et al., 2024). This reliance on traditional methods restricts competitiveness among tech-savvy travelers who prioritize online reviews and price transparency. Overcoming these gaps necessitates a multifaceted approach: targeted investment in workforce development, infrastructure modernization, and deep digital integration to expand market reach and streamline operations (Chalise, 2021; Faizal et al., 2024).

**Table 3: Key Performance Indicators (KPIs)**

Group	Type	Indicators	Authors
Financial	Sales / Revenue	Average daily rate, Total sales/revenue, Food and beverages sales, Payment cycle/payback period, Sales growth, Revenue per available room, etc.	Pnevmatikoudi, K., & Stavrinoudis, T. (2016). Wadongo, B., Odhuno, E., Kambona, O., & Othuon, L. (2010). Kala, D., & Bagri, S. (2014).
	Profitability	Return on Investment (ROI), Service quality, Operating margin, Operating income, Gross operating profit, etc.	Pnevmatikoudi, K., & Stavrinoudis, T. (2016). Wadongo, B., Odhuno, E., Kambona, O., & Othuon, L. (2010). Baroma, B. S. (2021).
	Occupancy	Bed occupancy level, Room occupancy level, Number of rooms, etc.	Kala, D., & Bagri, S. (2014). Chalise, D. R. (2021).
	Cost / Expenses	Revenue and cost compared to budget, Operational expenditure, Maintenance of physical assets, etc.	Baroma, B. S. (2021). Chalise, D. R. (2021).
Non-Financial	Customers	Customer satisfaction, Number of repeat customers, Number of complaints, Guest evaluations, Response time	Wadongo, B., Odhuno, E., Kambona, O., & Othuon, L. (2010). Pnevmatikoudi, K., & Stavrinoudis, T. (2016).
	Employees	Employee satisfaction, Monitoring employee innovativeness, Turnover, Employee capability and attitude, etc.	Kala, D., & Bagri, S. (2014). Baroma, B. S. (2021).
	Performance	Employee performance appraisal, Labor productivity, Staff performance and friendliness, New products and services, etc.	Kala, D., & Bagri, S. (2014). Chalise, D. R. (2021).
	Others	Social responsibility, Organizational achievement, Productivity rate, New markets identified, Trainings etc.	Pnevmatikoudi, K., & Stavrinoudis, T. (2016). Baroma, B. S. (2021).

**Table 4: Other Key Performance Indicators (KPIs) sourced from interaction with Hoteliers**

<b>Type</b>	<b>Key Performance Indicators</b>
<b>Financial KPIs</b>	Employee numbers; Training & Development spending; Labor workforce challenge; Interest rate; Rate of economic growth; Technology disruptions Payment cycle, etc.
<b>Non-Financial KPIs</b>	Continuous improvement; Website visits; Social media visits; Unionization of Hotel; Political tension; Policy shocks; Energy, labor, and water management; Health and safety; Networks

### 3. METHODOLOGY AND MATERIALS

This study employs a quantitative methodology, focusing on hotel businesses across all seven provinces of Nepal. A survey-based approach was used to identify the Key Performance Indicators (KPIs) most critical to the domestic hospitality sector. These KPIs were evaluated using mean score comparisons and one-way ANOVA analysis to identify significant variances. Furthermore, the study operationalizes specific performance dimensions and indicators through Ordered Logistic Regression to determine statistically significant contributors to hotel performance and growth.

#### 3.1 HYPOTHESIS TESTING

- H1: The utilization of key performance indicators does not differ significantly across the qualification level of hotel managers and owners.
- H2: The utilization of key performance indicators does not differ significantly across hotel categories.
- H3: The utilization of key performance indicators does not differ significantly across provincial locations.
- H4: There is a positive relationship between learning attributes and hotel performance
- H5: There is a positive relationship between entrepreneurial attributes and hotel performance
- H6: There is a positive relationship between financial performance measures and hotel performance.
- H7: There is a positive relationship between non-financial performance measures related to internal operation processes and hotel performance.

#### 3.2 SAMPLING FRAME

According to the *Nepal Tourism Statistics 2023* report, there are 1,416 registered hotels, including star-category establishments, resorts, and tourist-standard properties. This study employed a cluster sampling process to ensure representation across all seven provinces of Nepal. Within these provinces, respondents were randomly selected from hotel establishments that met two specific qualifying criteria: a minimum of three years of operation to ensure the validity of responses, and at least 10 employees at inception.

Based on Cochran's sample size formula, a minimum of 320 responses was required to achieve a 95% confidence interval. The survey ultimately secured 356 valid responses. The provincial distribution of these respondents, categorized by hotel type, is detailed in Table 5.

**Table 5: Provincial Distribution of Responses**

Type of Hotel	Total	Koshi	Madhesh	Bagmati	Gandaki	Lumbini	Karnali	Sudur-pashchim
Star	89	9	7	32	24	12	1	4
Tourist standard	217	61	7	52	75	8	8	6
Resort	50	3	2	26	13	5	1	0
<b>Total</b>	<b>356</b>	<b>73</b>	<b>16</b>	<b>110</b>	<b>112</b>	<b>25</b>	<b>10</b>	<b>10</b>

#### 3.3 RESPONDENT PROFILE

The respondents consist of a distribution of hotel owners and top-level managers. The sample includes 158 owners and 198 top-level managers, ensuring that the data reflects the perspectives of key decision-makers within the industry.

### 3.4 MEASUREMENT OF CONSTRUCT

The survey utilized closed-ended questions, collecting descriptive data through a nominal scale. For perception-based variables, a five-point Likert scale was employed, requiring respondents to select from the following options: Strongly Agree, Agree, Neutral, Disagree, and Strongly Disagree. Participants indicated their level of agreement based on the intensity of their perception regarding each statement.

### 3.5 APPROPRIATENESS OF THE MULTI-ITEM LIKERT SCALE QUESTIONNAIRE

A summative scale is formed by grouping individual items under an identifiable trait. Careful construction of such multi-item scales is essential to mitigate endogeneity issues and ensure internal consistency (Zaefarian et al., 2016). To achieve this, the following methodological strategies were implemented:

- **Sample Adequacy:** The survey achieved 356 responses, exceeding the 320 required by Cochran's formula for a 5% margin of error. This robust sample size enhances the statistical power of the findings.
- **Construct Depth:** To counter "missing variable" bias, the instrument utilized 40 statements categorized into six summative scales. Each scale consists of at least five items, selected through an extensive literature review and consultations with industry associations to ensure local relevance.
- **Internal Consistency:** The reliability of these multi-item constructs was verified using Cronbach's Alpha, yielding favorable results that confirm the scales' internal consistency.
- **Measurement Precision:** A five-point response construct was utilized to provide respondents with sufficient granularity, thereby increasing the reliability of the perceptual data.

### 3.6 MODEL SPECIFICATION

The study utilizes an 'ordered logistic regression' model for inferential statistics. The model is specified as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_n X_n + \epsilon_i$$

Where:

Y = Dependent variable

X = Independent variables

$\epsilon$  = Error Term

This is further expressed as:

$$HP = \beta_0 + \beta_1 FPM + \beta_2 IOP + \beta_3 CV + \beta_4 LKPI + \beta_5 EKPI + \epsilon_i$$

**Table 6: Description of Summative Scale Variables**

Summative Scale Variables	No of Items	Variable Type
<b>Hotel Performance (HP)</b>	6	Dependent
<b>Financial Performance Measures (FPM)</b>	6	Independent
<b>Non-Financial Performance Measures - Internal Operation Processes (IOP)</b>	5	Independent
<b>Learning Key Performance Indicators (LKPI)</b>	8	Independent
<b>Enterprising Key Performance Indicators (EKPI)</b>	9	Independent
<b>Intensity of Market Competition Control Variable (CV)</b>	6	Control

## **4. DESCRIPTION OF VARIABLES**

### **4.1 HOTEL PERFORMANCE (HP)**

Hotel Performance is the dependent variable used in the study. According to various studies, hotels have to ensure they maintain service quality, utilize capacity efficiently, optimize their sales margin, ensure customer needs are satisfied, maintain a reasonable market share and ensure new product offerings from time to time to maintain performance and growth in a competitive environment (Eid et al., 2020; Assaf et al. 2017; Dopson and Hayes, 2016). Hence, the summative scale for 'Hotel Performance' reflects these attributes from the literature and includes a total of 6 Likert Items. Respondents were asked the following questions on hotel performance.

*How well does your hotel perform on the following attributes in comparison to your competitors? (1= lower; 5= higher)*

1. Capacity Utilization
2. Sales Margin
3. Customer Satisfaction
4. Market Share
5. Product Development
6. Service Quality

### **4.2 FINANCIAL PERFORMANCE MEASURES (FPM)**

Baroma (2021) describes financial performance measures as essential in decoding whether an organization's strategies are being well executed. This is often measured on the basis of various financial ratios and emphasizes the improvement of the company's bottom line (Eid et al., 2020). Financial performance measures can show the degree of hotel performance, and the utility of these ratios may lead to informed decisions for better performance. In this study, we have operationalized financial performance measures by forming a summative Likert scale inclusive of 6 individual items. The Likert items have been formed with the utilization of 6 financial ratios commonly used in the hotel industry (Respondents were asked to respond to the following questions

*To what extent do you utilize the following financial performance measures in measuring hotel performance? (1= little and 5 = to a great extent)*

1. Revenue per available room
2. Net Operating Profit
3. Total Revenue
4. Cost per available room
5. Cost vs Budget
6. Revenue Growth

### **4.3 NON-FINANCIAL PERFORMANCE MEASURES - INTERNAL OPERATION PROCESSES (IOP)**

According to Kaplan and Norton (2005), internal operation processes measure the ability of an organization's ability to meet customer needs efficiently through its operations processes. In this study, we have operationalized non-financial performance measures by forming a summative Likert scale inclusive of 6 individual items. The study utilizes this variable as an independent variable. The Likert items have been formed with the utilization of 5 dimensions commonly used in the hotel industry to denote internal operations processes. Respondents were asked to respond to the following questions

*To what extent do you utilize the following non-financial performance measures in measuring hotel performance? (1= little and 5 = to a great extent).*

1. Internal Business Process Perspective
2. Service Quality
3. Maintenance of Physical Assets
4. Turnaround time for key tasks
5. Number of new service offerings
6. Remuneration as a percentage of revenue

#### **4.4 LEARNING KEY PERFORMANCE INDICATORS (LKPIs)**

Key Performance Indicators related to learning are used as an independent variable in our study. Studies have claimed that learning is necessary for better performance and long-term growth of an organization (Baroma, 2021; Haktanir, 2012). There are several measures, such as training, customer-related feedback, catering to customer needs, technology-related learning, learning related to inventory management, employee retention, forming partnerships, and price competitiveness (Baroma, 2021; Haktanir, 2012). The summative scale measuring learning KPIs is formed out of 8 individual Likert items. Respondents were asked to respond to the following questions

*On a scale of 1 (Not essential) to 5 (Essential), how essential is meeting the following performance parameters to achieve business growth?*

1. Customer Feedback
2. Catering to Customer Needs
3. Upgrading Technology
4. Staff Training
5. Inventory Management
6. Employee Retention
7. Forming Partnerships
8. Price Competitiveness

#### **4.5 ENTERPRISING KEY PERFORMANCE INDICATORS (EKPIs)**

Enterprising KPIs are used in our study as an independent variable. Hotels can choose to conform to the status quo because they are comfortable with their current performance. These kinds of hotels would be termed as satisficers. On the other spectrum, there could exist hotels that are challenging the status quo and looking to grow. These hotels can be termed as entrepreneurial. Literature focused on the hotel industry have pointed out several means by which hotels can grow. These include attributes which holistically target growth through presence in booking platforms owned by external parties, presence in social media, active efforts to retain customers, branding efforts, diversification of customer base, creating backward linkages, entry into new markets or locations, expansion in hotel offerings and most essentially the presence of a formal business plan (Baroma, 2021; Woo, Mun and Seo, 2023). In our study, we have formed a summative Likert scale composed of 9 individual Likert items. The respondents were asked to respond to the following questions

*On a scale of 1 (Not essential) to 5 (Essential), how essential is meeting the following performance parameters to achieve business growth?*

1. Presence in third-party booking sites
2. Presence in social media networks
3. Efforts to manage customer retention
4. Brand Building Efforts
5. Diversification of Customer Base
6. Creating backward linkages
7. Expansion of the hotel's offerings
8. A formal business expansion plan
9. Expansion to new locations

#### **4.6 INTENSITY OF MARKET COMPETITION: CONTROL VARIABLE (CCV)**

The study utilizes 'intensity of market competition' as a control variable. Further, we have utilized a summative Likert scale composed of 6 Likert items to denote the intensity of market competition. Patia and Mia (2009) have claimed that the intensity of market competition affects hotel performance and growth. Since hotels can do little about fixed costs, intense market competition often negatively affects their performance. Intense competition may lead to varied price offerings, better quality offerings, stronger marketing efforts, higher capacity offerings, sustainability offerings, and better locational positioning (Patiar and Mia, 2009). The respondents in our study were asked the following questions:

*How difficult is it for your hotel to compete on the following attributes? (1= not at all difficult; 5= very difficult)*

1. Price Offering
2. Quality Offering
3. Marketing efforts
4. Capacity offering
5. Sustainability Offering
6. Location

#### **4.7 ADDITIONAL TOOLS UTILIZED IN THE STUDY**

- A. **One-Way Anova Analysis on Key Performance Indicators (KPIs):** This is a test for one-way variance. Also known as Laerd Statistic. The one-way analysis of variance (ANOVA) is used to determine whether there are any statistically significant differences between the mean scores of three or more independent (unrelated) groups.
- B. **Cronbach's Alpha:** To derive the internal consistency of Likert Scales.
- C. **Mean Rank Order:** To rank the order of importance of KPIs.

## 5. RESULTS AND DISCUSSION

### 5.1 RELIABILITY TEST

The collected data was checked using Cronbach's Alpha for internal consistency of data. According to Sekaran and Bougie (2016), a reliability test measures attributes such as the stability and consistency of variables. Cronbach's Alpha is an appropriate statistical tool for this purpose. The logic behind this measure is the fact that the closer Cronbach's Alpha is to 1, the more consistent and reliable the measure is (Sekaran and Bougie, 2016).

All scales tested for Cronbach's Alpha yield a coefficient of 0.65 or above; thus, the scales are accepted for data analysis purposes.

**Table 7: Results of Cronbach's Alpha**

Summative Scales	No. of Items	Cronbach's Alpha	Inter-Item Covariances
Financial Performance Measures (FPM)	6	0.83	0.529
Non-Financial Performance Measures - Internal Operation Processes (IOP)	5	0.75	0.393
Non-Financial Performance Measures - Hotel Performance (HP)	6	0.65	0.322
Intensity of Market Competition - Control Variables (CV)	6	0.82	0.623
Learning Key Performance Indicators (LKPI)	8	0.89	0.478
Enterprising Key Performance Indicators (EKPI)	9	0.85	0.460

### 5.2 DESCRIPTIVE STATISTICS ACROSS VARIABLES

Table 8 depicts descriptive statistics across Likert items forming the summative scale related to 'non-financial performance measure of hotel performance. It shows that respondents assign the highest mean score to 'service quality' (3.65) and the lowest mean score to capacity utilization (2.81).

**Table 8: Descriptive Statistics of Non-Financial Measures of Hotel Performance (HP)**

Non-Financial Performance Measures - Hotel Performance	5	4	3	2	1	N	Mean	SD
Capacity Utilization	33	74	119	54	76	356	2.81	1.247
Sales Margin	23	79	144	60	50	356	2.90	1.097
Customer Satisfaction	47	100	102	44	63	356	3.07	1.281
Market Share	42	60	127	72	55	356	2.89	1.206
Product Development	53	77	138	59	29	356	3.19	1.128
Service Quality	91	106	111	38	10	356	3.65	1.061

Table 9 depicts descriptive statistics across Likert items forming the summative scale related to the Financial Performance Measure of hotel performance. It shows that respondents assign the highest mean score to 'cost per available room' (3.59) and the lowest mean score to 'revenue per available room' (3.38).

**Table 9: Descriptive Statistics of Financial Performance Measures (FPM)**

<b>Financial Performance Measures</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>N</b>	<b>Mean</b>	<b>SD</b>
<b>Revenue per available room</b>	65	101	121	43	26	356	3.38	1.133
<b>Net Operating Profit</b>	74	109	108	40	25	356	3.47	1.147
<b>Total Revenue</b>	72	127	93	36	28	356	3.50	1.154
<b>Cost per available room</b>	73	109	133	38	3	356	3.59	0.958
<b>Cost vs Budget</b>	73	91	130	58	4	356	3.48	1.028
<b>Revenue Growth</b>	80	112	103	45	16	356	3.55	1.106

Table 10 depicts descriptive statistics across Likert items forming the summative scale related to 'non-financial performance measures - internal operation processes' of hotel performance. It shows that respondents assign the highest mean score to 'maintenance of physical assets' (4.10) and the lowest mean score to 'number of new service offerings' (3.26).

**Table 10: Descriptive Statistics of Non-Financial Measures - Internal Operation Processes (IOP)**

<b>Non-Financial Performance Measures - Internal Operation Processes</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>N</b>	<b>Mean</b>	<b>SD</b>
<b>Service Quality</b>	125	125	88	15	3	356	3.99	0.919
<b>Maintenance of Physical Assets</b>	140	123	84	7	2	356	4.10	0.866
<b>Turnaround time for key tasks</b>	111	102	113	18	12	356	3.79	1.046
<b>Number of new service offerings</b>	62	83	130	46	35	356	3.26	1.179
<b>Employee Remuneration as a percentage of revenue</b>	67	99	131	38	21	356	3.43	1.092

Table 11 shows descriptive statistics across Likert Items forming the summative scale related to 'learning KPIs' of hotel performance. It shows that respondents assign the highest mean score to 'taking into account customer feedback' (4.13) and the lowest mean score to 'price competitiveness' (3.81).

**Table 11: Descriptive Statistics of Learning KPIs (LKPI)**

<b>Learning KPIs</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>N</b>	<b>Mean</b>	<b>SD</b>
<b>Upgrading Technology</b>	160	92	74	28	2	356	4.07	1.01
<b>Forming partnerships with external parties</b>	135	103	91	17	10	356	3.94	1.039
<b>Catering to customer needs in a timely manner</b>	156	101	75	20	4	356	4.08	0.985
<b>Effective management of inventory</b>	140	104	95	16	1	356	4.03	0.931
<b>Taking into account customer feedback</b>	161	95	86	13	1	356	4.13	0.922
<b>Employee Retention</b>	128	119	90	14	5	356	3.99	0.948
<b>Adequate training for staff</b>	131	126	79	19	1	356	4.03	0.911
<b>Price Competitiveness</b>	107	116	106	11	16	356	3.81	1.045

Table 12 depicts descriptive statistics across Likert Items forming the summative scale related to 'enterprising KPIs' of hotel performance. It shows that respondents assign the highest mean score to 'presence in third-party booking sites' (4.18) and the lowest mean score to 'expansion to new locations' (2.96).

**Table 12: Descriptive Statistics of Enterprising KPIs (EKPI)**

Enterprising KPIs	5	4	3	2	1	N	Mean	SD
<b>A formal business expansion plan</b>	109	91	99	26	31	356	3.62	1.233
<b>Expansion of the hotel's offerings</b>	125	96	102	22	11	356	3.85	1.069
<b>Expansion to new locations</b>	73	67	76	51	89	356	2.96	1.468
<b>Brand Building Efforts</b>	124	123	76	18	15	356	3.91	1.067
<b>Diversification of Customer Base</b>	120	108	102	16	10	356	3.88	1.022
<b>Efforts to manage customer retention</b>	138	109	89	17	3	356	4.02	0.952
<b>Creating backward linkages</b>	127	89	110	24	6	356	3.86	1.035
<b>Presence in social media networks</b>	161	106	67	19	3	356	4.13	0.957
<b>Presence in third-party booking sites</b>	162	120	57	11	6	356	4.18	0.927

Table 13 depicts descriptive statistics across Likert Items forming the summative scale related to 'intensity of market competition' of hotel performance. It shows that respondents assign the highest mean score to 'price offering' (3.01) and 'service quality offering' (3.01), and the lowest mean score to 'location' (2.54).

**Table 13: Descriptive Statistics of Intensity of Market Competition (CV)**

Non-Financial Performance Measures - Control Variables	5	4	3	2	1	N	Mean	SD
<b>Price Offering</b>	33	85	150	29	59	356	3.01	1.165
<b>Service Quality Offering</b>	35	101	116	42	62	356	3.01	1.223
<b>Marketing Efforts</b>	28	85	141	50	52	356	2.96	1.132
<b>Capacity Offering</b>	19	67	144	57	69	356	2.75	1.130
<b>Sustainability Offering</b>	39	69	143	47	58	356	2.96	1.191
<b>Location</b>	30	63	95	48	120	356	2.54	1.337

### 5.3 REGRESSION RESULTS AND DISCUSSION

We estimated an ordered logit regression on Enterprising KPIs, Learning KPIs, Internal Operations Processes, and Financial Performance Measures while controlling for the intensity of market competition. The regression results are tabulated in Table 14. The regression results show that Learning KPIs are statistically significant and positively related to Hotel Performance (Coefficient 0.53; P 0.033). This shows that learning dimensions contribute positively to hotel performance. This leads to the acceptance of H4. Similarly, the non-financial parameter of internal operations is also statistically significant and positively related to hotel performance (Coefficient 0.42; P 0.026). This means that when internal operations processes are in order, they can lead to better performance at hotels. This leads to the acceptance of H7.

Additionally, financial performance measures also show a statistically significant and positive relation to hotel performance (Coefficient 0.29; P 0.051). This means it is important for hotel businesses to monitor their financial performance for better performance. This leads to the acceptance of H6. Enterprising KPIs show a positive relation with hotel performance, but the result

is not statistically significant. This means the study shows that the dimension of enterprising KPIs does not affect hotel performance in a significant way. This leads us to reject H5.

**Table 14: Results of Ordered Logit Regression**

<b>Hotel Performance</b>	<b>Ordered Logit</b>
<b>Enterprising Key Performance Indicators (EKPI)</b>	-0.08 (0.25)
<b>Learning Key Performance Indicators (LKPI)</b>	0.53 (0.25)**
<b>Non-Financial Performance Measure - Internal Operation Processes (IOP)</b>	0.42 (0.19)**
<b>Financial Performance Measure (FPM)</b>	0.29 (0.15)**
<b>Non-Financial Performance Measure - Control Variable (CV)</b>	0.87 (0.12)***
<b>Observations</b>	356
<b>Pseudo R Square</b>	0.0387
<b>Likelihood Ratio Chi-Square</b>	89.7***
<b>Test of Parallel Lines<sup>a</sup></b>	0.357

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

a = Link function Logit. The Test of Parallel Lines has an insignificant value (0.357 > 0.05), meaning that the assumptions of using the Ordered Logit Model have not been violated.

#### **5.4 ANALYSIS OF MEAN SCORES OF KPIs**

Table 15 depicts the mean composite scores for the key performance indicators utilized in the study. In our context, the mean composite scores for performance ranged from 2.96 to 4.22. This is an indication that top-level managers and owners in the hotel industry in Nepal utilize a varied range of KPIs as a measure of performance. The study reveals that learning KPIs is regarded highly in terms of use. Similarly, the highest level of importance is given to KPIs within risk management. This is followed by institutional support KPIs and enterprising KPIs.

The top 12 ranked KPIs according to mean scores in descending order are audits, monitoring and review, presence in third-party booking sites, policy support from the government, subsidized credit, customer feedback, presence in social media networks, catering to customer needs, upgrading technology, staff training, inventory management, and efforts to manage customer retention. Interestingly, the lowest rank KPI was expansion to new locations, which may point towards a satisficing attribute present in hotels in Nepal. The results indicated that administrative KPIs are quite important for Nepali hotel owners and top-level managers. Similarly, none of the Financial KPIs features amongst the top 12 KPIs. This does not align with previous studies, which have attributed the highest importance to financial KPIs (Joshi, 2001). The results show that more attention is being paid to non-financial KPIs, which is inconsistent with some past studies that have claimed that financial KPIs are more important in comparison to non-financial KPIs (Ismail, 2007; Jusoh et al., 2008).

**Table 15: Mean Rank Order of Key Performance Indicators**

Key Performance Indicators (KPIs)		Mean	Std. Dev.	Overall Mean Rank
Financial	Receiving credit in favorable terms	4	1.003	
	Timely realization of receivables	3.92	0.991	
	Meeting Revenue Goals	3.91	0.976	
	Effective management (minimization) of operational expenses	3.91	0.954	
	Achieving a satisfactory Return on Investment (RoI)	3.88	1.003	
	Diversification of revenue streams	3.84	1.043	
	Having multiple sources of external funding (credit and investment)	3.81	1.105	
Green/Sustainability	Implementation of Energy-saving practices	3.96	0.929	
	Ensuring locally sourced products	3.87	1.085	
	Implementation of sustainability practices	3.82	1.075	
	Sourcing from Green/sustainable suppliers	3.78	1.127	
	Having a descriptor that denotes green/sustainable practices	3.62	1.206	
	Policies for diversity, inclusion, and equity	3.62	1.189	
	Certification for green or sustainable operations	3.50	1.234	
Institutional Support	Policy support from the government	4.17	0.967	<b>4</b>
	Subsidized credit	4.15	1.003	<b>5</b>
	Training from your hotel association	4.02	1.059	
	Incentives from the local government	3.93	1.103	
	Support for further sustainable practices	3.92	1.040	
	Grants from external parties (Gov, Non-gov)	3.76	1.240	
	Co-investment assistance from the government or development agencies	3.60	1.264	
Risk Management	Audits	4.22	0.918	<b>1</b>
	Monitoring and Review	4.20	0.870	<b>2</b>
	Emergency Response Training	4.01	1.008	
	Crisis Management Plan	3.99	0.999	
	Conduct of Risk Assessment Plan	3.97	1.026	
	Financial Reserves for Unforeseen Circumstances	3.97	1.050	
	Risk Drilling Exercises	3.90	1.109	
	Mitigating Forex Risk	3.51	1.250	
Learning	Customer Feedback	4.13	0.922	<b>6</b>
	Catering to Customer Needs	4.08	0.985	<b>8</b>
	Upgrading Technology	4.07	1.010	<b>9</b>
	Staff Training	4.03	0.911	<b>10</b>
	Inventory Management	4.03	0.931	<b>10</b>
	Employee Retention	3.99	0.948	
	Forming Partnerships	3.94	1.039	
	Price Competitiveness	3.81	1.045	
Enterprising	Presence in third-party booking sites	4.18	0.927	<b>3</b>
	Presence in social media networks	4.13	0.957	<b>6</b>
	Efforts to manage customer retention	4.02	0.952	<b>12</b>
	Brand Building Efforts	3.91	1.067	
	Diversification of Customer Base	3.88	1.022	
	Creating backward linkages	3.86	1.035	
	Expansion of the hotel's offerings	3.85	1.069	
	A formal business expansion plan	3.62	1.233	
	Expansion to new locations	2.96	1.468	

## 5.5 ONE-WAY ANOVA ANALYSIS

### 5.5.1 Hotel Categorized According to Service Standards

As shown in Table 16, the mean scores of the hotels categorized according to level of service standards show that enterprising KPIs are most important to top-level managers and owners of hotels, with a score of 4.01 (all hotels). The lowest score is for green/sustainability KPIs at 3.74 (all hotels). Interestingly, resorts report the highest mean scores for all of the dimensions.

**Table 16: KPIs across Hotel Categorized According to Service Standards**

Key Performance Indicators (KPIs)	Hotel Category			
	Star	Tourist Standard	Resort	All
<b>Financial KPIs</b>	3.76	3.87	4.22	3.89
<b>Green/Sustainability KPIs</b>	3.78	3.67	3.97	3.74
<b>Institutional Support KPIs</b>	3.77	3.95	4.17	3.94
<b>Risk Management KPIs</b>	3.88	3.94	4.28	3.97
<b>Learning KPIs</b>	3.81	3.77	4.08	3.82
<b>Enterprising KPIs</b>	3.95	3.98	4.25	4.01

**Table 17: One-Way ANOVA on Hotel Category According to Service Standards**

		Sum of Squares	df	Mean Square	F	Sig.
<b>Financial KPIs</b>	Between Groups	6.808	2	3.404	6.111	0.002
	Within Groups	196.643	353	0.557		
	Total	203.452	355			
<b>Green / Sustainability KPIs</b>	Between Groups	3.931	2	1.965	2.427	0.090
	Within Groups	285.889	353	0.810		
	Total	289.820	355			
<b>Institutional Support KPIs</b>	Between Groups	5.190	2	2.595	3.653	0.027
	Within Groups	250.768	353	0.710		
	Total	255.958	355			
<b>Risk Management KPIs</b>	Between Groups	5.750	2	2.875	3.895	0.021
	Within Groups	260.567	353	0.738		
	Total	266.318	355			
<b>Enterprising KPIs</b>	Between Groups	4.023	2	2.012	3.774	0.024
	Within Groups	188.169	353	0.533		
	Total	192.192	355			
<b>Learning KPIs</b>	Between Groups	3.272	2	1.636	3.083	0.047
	Within Groups	187.354	353	0.531		
	Total	190.627	355			

A One-way ANOVA analysis was carried out with the underlying assumption that the mean scores of different KPIs do not differ according to hotel service standards in Nepal. The results in Table 17 show that the calculated values of the F Statistic (2,353) are higher than the tabulated value of F (2,37,  $\alpha = .05$ ) for all KPIs. Additionally, observed values of the P statistic are well below the chosen alpha value of 0.05 for all KPIs, except Green/Sustainability KPIs. This shows that the null hypothesis is rejected for these KPIs. Essentially, this means that there are significant differences in the mean scores of different KPIs across hotel service standards for these KPI dimensions. Top-level managers and owners of hotels with different service standards in Nepal assign varied levels of importance to these KPI dimensions. On the other hand, the green/sustainability KPIs report a P statistic greater than the chosen alpha value of 0.05 at 0.09. This indicates that top-level managers and owners across hotels in Nepal consider green/sustainability KPIs as essential, irrespective of hotel standards.

### 5.5.2 Hotels Categorized According to Provincial Location

As shown in Table 18, the mean scores of the Hotels categorized according to all provincial locations show that enterprising KPIs are most important to top-level managers and owners of hotels, with a score of 4.01. The lowest score is for green/sustainability KPIs at 3.74. Similarly, according to provincial categorization, enterprising KPIs are most valued in provinces 7, 6, and 2. The highest score for provinces 1 and 2 is for institutional support KPIs. Provinces 3 and 5 assign the most value to risk management KPIs.

**Table 18: KPIs across Hotels Categorized According to Provincial Locations**

Key Performance Indicators (KPIs)	P1	P2	P3	P4	P5	P6	P7	All
<b>Financial KPIs</b>	4.13	3.11	4.4	3.31	4.04	4.14	3.83	3.89
<b>Green/Sustainability KPIs</b>	4.12	3.52	4.09	3.06	4.01	4.57	3.57	3.74
<b>Institutional Support KPIs</b>	4.48	2.50	4.32	3.41	4.03	3.77	3.80	3.94
<b>Risk Management KPIs</b>	4.29	3.22	4.57	3.17	4.35	4.56	3.80	3.97
<b>Learning KPIs</b>	3.95	3.51	4.26	3.24	4.12	4.41	3.80	3.82
<b>Enterprising KPIs</b>	4.32	3.79	4.43	3.34	4.19	4.71	3.89	4.01

**Table 19: One-Way ANOVA on Provincial Location**

		Provincial One-Way ANOVA				
		Sum of Squares	df	Mean Square	F	Sig.
<b>Financial KPIs</b>	Between Groups	82.053	6	13.675	39.315	0.000
	Within Groups	121.399	349	0.348		
	Total	203.452	355			
<b>Green KPIs</b>	Between Groups	84.620	6	14.103	23.987	0.000
	Within Groups	205.200	349	0.588		
	Total	289.820	355			
<b>Institutional Support KPIs</b>	Between Groups	102.945	6	17.158	39.134	0.000
	Within Groups	153.013	349	0.438		
	Total	255.958	355			
<b>Risk Management KPIs</b>	Between Groups	136.311	6	22.718	60.987	0.000
	Within Groups	130.007	349	0.373		
	Total	266.318	355			
<b>Enterprising KPIs</b>	Between Groups	67.529	6	11.255	31.508	0.000
	Within Groups	124.664	349	0.357		
	Total	192.192	355			
<b>Learning KPIs</b>	Between Groups	82.962	6	13.827	44.821	0.000
	Within Groups	107.664	349	0.308		
	Total	190.627	355			

Table 19 shows the results of a One-way ANOVA analysis carried out with the underlying assumption that the mean scores of different KPIs do not differ according to the provincial locations of hotels across the seven provinces in Nepal. The results show that the calculated values of the F Statistic (6,349) are higher than the tabulated value of F (2.37,  $\alpha = .05$ ) for all KPIs. Additionally, all observed values of the P statistic are well below the chosen alpha value of 0.05 ( $0.000 < 0.05$ ). This shows that the null hypothesis is rejected. Essentially, this means that there are significant differences in the mean scores of different KPIs across hotel locations in the various provinces in Nepal. Top-level managers and owners of hotels across different provinces in Nepal assign varied levels of importance to KPIs, and this is guided by their provincial location.

### 5.5.3 Hotels Categorized According to Qualifications of Top-Level Managers or Owners

As shown in Table 20, the mean scores of the Hotels categorized according to all qualification levels of top-level managers and owners show that enterprising KPIs are most important to top-level managers and owners of hotels, with a score of 4.01. The lowest score is for green/sustainability KPIs at 3.74. The lowest mean scores for enterprising KPIs and learning KPIs are assigned by those who are informally literate at 3.24 and 3.27, respectively, assigning less importance to these KPIs. Those who are educated at Masters level and above assign the highest mean scores amongst all levels of qualification to learning KPIs and enterprising KPIs, assigning more importance to these KPIs. The informally literate and those with an intermediate level of education have assigned the highest mean score to institutional support at 3.49 and 4.21, respectively. Those with some level of schooling and those with a Bachelor's level qualification have assigned the highest mean score of 3.92 to enterprising KPIs. Similarly, those with the highest level of qualifications at Master's degree and above assign most value to risk management KPIs with a mean score of 4.35.

**Table 20: KPIs Across Hotels Categorized According to Qualifications of Top-Level Managers or Owners**

Key Performance Indicators (KPIs)	Informally Literate	Some Schooling	Intermediate	Bachelors	Masters and above	All
Financial KPIs	3.26	3.82	4.07	3.86	4.14	3.89
Green / Sustainability KPIs	2.81	3.59	3.8	3.76	4.19	3.74
Institutional Support KPIs	3.49	3.86	4.21	3.88	3.96	3.94
Risk Management KPIs	3.20	3.64	4.17	3.96	4.35	3.97
Learning KPIs	3.24	3.64	3.86	3.82	4.19	3.82
Enterprising KPIs	3.27	3.92	4.15	3.99	4.31	4.01

**Table 21: One-Way ANOVA on Qualifications of Top-Level Managers and Owners**

Key Performance Indicators (KPIs)		Sum of Squares	df	Mean Square	F	Sig.
Financial KPIs	Between Groups	15.252	4	3.813	7.111	0.000
	Within Groups	188.199	351	0.536		
	Total	203.452	355			
Green/ Sustainability KPIs	Between Groups	31.560	4	7.890	10.723	0.000
	Within Groups	258.260	351	0.736		
	Total	289.820	355			
Institutional Support KPIs	Between Groups	11.601	4	2.900	4.166	0.003
	Within Groups	244.357	351	0.696		
	Total	255.958	355			
Risk Management KPIs	Between Groups	27.232	4	6.808	9.995	0.000
	Within Groups	239.086	351	0.681		
	Total	266.318	355			
Enterprising KPIs	Between Groups	15.464	4	3.866	7.678	0.000
	Within Groups	176.728	351	0.503		
	Total	192.192	355			
Learning KPIs	Between Groups	19.451	4	4.863	9.971	0.000
	Within Groups	171.176	351	0.488		
	Total	190.627	355			

Table 21 shows the results of a One-way ANOVA analysis carried out with the underlying assumption that the means of different KPIs do not differ according to the level of qualification of top-level managers and owners of the hotel. The results show that the calculated values of the F statistic,  $F(4, 351)$ , are higher than the tabulated value of  $F(2.37, \alpha = .05)$  for all KPIs. Additionally, all observed values of the P statistic are well below the chosen alpha value of 0.05 (ranging from 0.000 to 0.003). This shows that the null hypothesis is rejected. Essentially, this means that there are significant differences in the mean scores of different KPIs across varying educational qualification levels of Managers and owners of hotels across Nepal. This means different top-level managers and owners of hotels view varying KPIs as more important, and their level of qualifications guides this.

## 6. POLICY AND OTHER INTERVENTIONS

### 6.1 SUSTAINABILITY AND GREEN PRACTICES

- Standardized National Level Sustainability/Green Standards: Require hotels to meet eco-certification standards (e.g., energy efficiency, water conservation, waste management) to receive licenses or tax incentives. To reduce ambiguity, the government could develop standardized green qualifiers in the form of national-level guidelines or certifications.
- Subsidies for Green Infrastructure: Offer technical and financial support for green practices to incentivize hotels to pursue solar panels, rainwater harvesting, composting systems, and eco-friendly construction materials.
- Zoning & Environmental Impact Assessments: Enforce stricter EIAs for new hotel developments, especially in ecologically sensitive areas like the Himalayas or national parks.
- Knowledge Exchange Platform: Create a national digital hub for hotels to share real examples of sustainable practices, tools, and templates.

### 6.2 LEARNING, TRAINING & STRATEGIC PARTNERSHIPS

- National Hospitality Training Framework: Establish and anchor government-backed curriculum focused on sustainability, digital skills, and service innovation. Here, the role of the Provincial governments will become critical
- Public-Private Partnerships (PPPs): Encourage collaboration between hotel associations, vocational institutes, and INGOs to bring in trainers and best practices.
- Imitation & Knowledge Sharing: Create a digital platform where hotels can share case studies, green innovations, and operational models that work in Nepal's unique context.
- Gamify the Process: Introduce 'Green Imitation Challenge' where hotels compete to adapt and improve on a featured sustainable model each year. Winners receive national recognition and funding for further innovation.
- Financial Performance Monitoring: Upgrading managerial training by inculcating hotel management practices to monitor the financial parameters of hotel performance.

### 6.3 ENABLING RISK-TAKING AND INNOVATION

- Innovation Grants & Risk Capital: Provide seed funding or low-interest loans for hotels experimenting with new services (e.g., wellness tourism, agro-tourism).
- Insurance Schemes: Develop government-backed insurance to protect hotels investing in untested sustainable technologies or remote locations.
- Loan Performance Guarantee Schemes: Channelize DFI non-funded loan performance guarantee schemes to encourage financial institutions to lend to the sector with better terms.
- Pilot Zones: Designate 'innovation zones' where regulatory flexibility allows hotels to test new models without heavy penalties.

### 6.4 EXPANSION, INTEGRATION & DIVERSIFICATION

- Vertical Integration Support: Offer tax breaks or simplified licensing for hotels that integrate backward (e.g., owning organic farms) or forward (e.g., managing tour services).
- Horizontal Integration Incentives: Encourage hotel chains or cooperatives to form alliances and partnerships with other value chain actors, especially in rural areas, to share resources and work towards a collective branding.
- Destination Development Plans: Align hotel expansion with regional tourism master plans that emphasize sustainability, cultural preservation, and local employment.

## **7. KEY SUPPORT AND RESPONSIBILITIES**

### **7.1 CENTRAL GOVERNMENT**

- National Policy and Regulatory Framework:
- Prioritize transport connectivity (airports, highways, digital infrastructure) to major and emerging tourist destinations.
- Improve aviation safety standards to boost international confidence.
- Offer tax holidays, low-interest loans, and foreign exchange facilities for hotel investments, especially in underdeveloped regions (Financial and Fiscal Incentive).
- National Branding and Promotion

### **7.2 PROVINCIAL GOVERNMENT**

- Regional Tourism and Master Plan
- Partner with local institutions to deliver hospitality training, especially in rural and heritage-rich areas.
- Identify and promote investment-ready sites for hotel development.
- Enforce environmental and safety standards for hotels operating within the province. (Monitoring & Compliance)

### **7.3 LOCAL GOVERNMENT**

- Involve local communities in hotel planning to ensure cultural sensitivity and local employment.
- Support homestays and small eco-lodges through micro-grants and training.
- Basic infrastructure such as improved waste management, water supply, and local roads to support hotel operations.
- Simplify local-level permits and ensure transparent taxation to encourage the formalization of small hotels.
- Protect local heritage, manage visitor flow, and promote clean, safe, and welcoming environments.

### **7.4 JOINT RESPONSIBILITY (REPLICABLE MODELS)**

The government and non-government organizations should intervene to create successful hotel models that are easily replicable across geographies. The following process should be followed,

- Identify a core value proposition
- Develop scalable processes
- Establish robust partnerships that could come in the form of strategic alliances or through network building.
- Provide training and support.
- Push for technology transfer to build stronger capabilities: Consider leveraging technology efficiently while ensuring adaptability across various settings and resource levels. For example, this could be the introduction of digital technology. Allowing for adaptable learning models and technology transfer to sustain businesses beyond direct program support.

## 8. CONCLUSION

The study provides compelling evidence that both Learning and Internal Operations KPIs are statistically significant predictors of hotel performance in Nepal, affirming hypotheses H4 and H7. Financial performance measures also demonstrate a positive and near-significant relationship with performance, supporting H6. Conversely, while Enterprising KPIs show a positive trend, they do not significantly influence performance, leading to the rejection of H5. These findings highlight the growing relevance of non-financial performance measures—particularly those related to learning and internal processes—among hotel managers and owners in Nepal.

ANOVA analyses further reveal significant differences in the prioritization of KPI dimensions based on hotel service standards, provincial locations, and managerial educational backgrounds. This suggests that the perceived importance of KPIs is context-dependent, varying according to organizational and demographic factors. Interestingly, Green/Sustainability KPIs were the only dimension not significantly influenced by service standards, indicating a uniform level of importance attributed to environmental considerations across the industry.

The ranking of KPIs by mean scores shows a clear emphasis on administrative and strategic dimensions, with Risk Management, Institutional Support, and Learning KPIs ranking highest. Conversely, financial KPIs—traditionally considered crucial—were notably absent from the top tier, pointing to a shift in managerial focus toward more holistic performance metrics. The lowest-rated KPI, Expansion to New Locations, suggests a potentially risk-averse or "satisficing" mindset among Nepali hotel operators.

In conclusion, these findings underscore a dynamic and multifaceted approach to performance measurement in Nepal's hotel industry, where non-financial and contextual factors play a significant role in shaping strategic priorities. The increasing importance assigned to dimensions beyond purely financial metrics signals the evolving nature of business priorities within the sector.

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