Analysis of Regional Tourists in Bhutan before Covid-19

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Abstract

Bhutan has a unique policy of "high value, low impact", towards tourism. The tourists visiting the country are divided into two forms, first are the ones who have been covered under the above-mentioned policy, whereas the second are the regional tourists, who are the tourists mainly from the three SAARC nations viz, India, Maldives and Bangladesh. As per the diplomatic agreement the visitors from these countries are exempted from the tourism policy and are considered to be of low value to the Bhutanese economy from the revenue and employment point of view. However, the regional tourists have been sharing a significant share of more than 50% in the overall tourism in the kingdom before covid 19. With the global pandemic, the rationale of having regional tourists and creating appropriate policies to deal with them has been a point of deliberations now. The point of consideration has been about the way regional tourists can affect the hotel industry in Bhutan as it contributes to the increase in the revenue for the country. As a result, our country can be able to generate more revenue from regional tourists by encouraging a greater number of hotels as tourism is the second highest revenue-generating factor in Bhutan. This study attempts to analyse the impact of regional tourist on the hotel industry in Bhutan and explores the mediating role of the government policies. For the purpose of the study, a quantitative analysis has been carried out on the hotels of three most visited cities in Bhutan i.e., Thimphu, Paro and Phuentsholing using the snowball method. From these analyses we were able to come up with the conclusion of how the increasing number of regional tourists are having the impact on the hotel industry based on the factors like government policies, e-technology and capacity of the hotels.

Keywords: Regional Tourist, Hotels, Bhutan, Government Policies

1.   Introduction
1.1.   Tourism and Bhutan

Tourism is defined by World Tourism Organization (WTO) as "people, traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes". The tourism industry is reported to contribute USD 7.61 Trillion to the global economy as of 2016, during the same time hotels were estimated to contribute USD 550 billion. According to Tourism Council in Bhutan (TCB), Bhutan opened its door for the outside world in the year 1971 through the formulation of Tourism Regulation. However, it adds that tourism was introduced in the year 1974 with the arrival of 287 tariff paying tourists in Bhutan. The number of tourists increased from 287 to close to 41,000 tariff paying tourist in the year 2010 (International Trade Forum, 2011). Many

scholars who have interest in the Bhutanese tourism sector have applauded the successful tourism policy of "high value, low volume" policy initially implemented in Bhutan that later was renamed as "high value, low impact" (Lhendup and Panda,2020; Ghosh and Chakraborty,2020). The Review Report on Tourism Policy and Strategies (2016) states that the policy has been very successful in developing Bhutan as a niche destination for travelers worldwide especially for cultural and ecological tourism. As tourism plays a vital role in generating employment opportunities and revenue and also encouraging increasing number of entrepreneurs to invest in the tourism sector (Trusova et al., 2020). Considering the geography of the kingdom, Bhutanese tourism sector is dependent on the season i.e., March-April and October-November are considered as peak months for the tourism as the weather is ideal for mountain hiking and trekking along with regional festivals being organized in different parts of the kingdom. January-February and June-July are considered as lean season as due to the rain it becomes hard for the tourist to trek and the other activities also get hampered. According to Review Report on Tourism Policy and Strategies (2016), All tours are to be led by licensed Bhutanese guides and there are about 2500 licensed guides in the country.

1.2. Regional Tourists

According to Bhutan Tourism Monitor (BTM, 2016), visitors from Maldives, Bangladesh and India are referred to as regional tourists in Bhutan. Tourism Council of Bhutan (TCB) states that with the zero percent tariff on the regional tourist, there are increasing number of regional tourist in our country. The regional tourist does not have to pay USD 200 to 250 tariff like the foreign tourist (Tourism Council of Bhutan [TCB]).

In the country, we see opportunities for the hoteliers who do not operate three-to-five-star hotels in Thimphu, Paro and Phuentsholing which mainly serves as tourist destination for regional tourist. According to the Tourism Monitor Report 2015, 73% of non-tariff tourists come from Phuentsholing, 26.68% from Paro Airport, 0.05% from Gelephu and 0.26% from SamdrupJongkhar. The large number of non-tariff tourists have benefitted small and medium budgeted hotels including some of the three-star hotels.

As stated, by Dorji Wangdi, who is a Member of Parliament, on the steadily increasing number of non-tariff tourists over the years, "The main issue with non-tariff tourists is that they travel in their own vehicle which increases the number of vehicles in the country. There is also the issue of accidents and deaths of non-tariff tourists in the country," he said, adding that most non-tariff tourists travel without guides. Chhimmy Pem, Director of Tourism Council of Bhutan said that there are issues in terms of littering, crowding out of important places like Dzongs and Lhakhangs.

During the years 2011-2016, total number of regional tourists visiting in the country was 146,797 of which 114,301 were Indians and 7,753 from Bangladesh and 69% of regional tourist arrived over land and rest from air (BTM, 2016). The maximum number of regional tourists visited the country in May of 2016 at a record of 23,694, according to BTM 2016. It also states that the highest number of visitors from the region were from India with 98.1%, 1.5% from Bangladesh and 0.4% from Maldives. In addition, in the year 2016, mostly male regional tourists comprise of 64.8% and female of 35.2% where majority of regional tourists were young which falls within the age range of 22-45. 52% of regional tourists stayed in non-star hotel, 38% stayed in star-rated hotels and around 7% of them stayed in lodges (BTM, 2016). The regional tourists are not covered under the 'high value, low impact', policy of the government and thus, do not have to pay the usual USD 200 to USD 265 a day, they visit Bhutan without the need to have a guide and driver as many of them drive their own

vehicle without any restriction in any part of the country, some the regional tourists bring their own groceries and picnic around the country which leads to littering the places. It is leading to a greater number of regional tourists visiting Bhutan which is a big issue for Bhutan as it has negative impacts on the country. So, the tour operator also suggested implementing strong regulation and policy concerning regional tourists in order to maintain 'High Value, Low Impact' (Wangmo, 2017).

1.3. *Significance of the study & Problem statement*

Bhutan has hundreds of hotels located all across the country which range from small, simple and local hotels (budgeted) to luxurious resorts (three-, four- and five-star hotels) for affluent travelers seeking the ultimate gateway but in terms of tourists all the tour operators are required to provide their guests with minimum of three-star accommodation so that they can assure the tourists a comfort (Tourism Council of Bhutan, 2017). Only the hotels with at least three-star ratings can host the tariff paying guests, the other non-star hotels depend heavily on the regional tourists. On the other hand, regional tourists too tend to stay in budgeted hotels. Most of the regional tourists bring their own vehicle and food and of them are even seen setting up camps (Hotels in Bhutan, 2018).

Hotel Industry is crucial for Bhutan as it is an integral part of the tourism sector generating foreign exchange and employment opportunities (Travels, 2018). As a greater number of tourists are interested to visit Bhutan, Bhutan Tourism Corporation encouraged a greater number of hotels for the tourists as it can be able to generate more income and lead to growth and development of our country (International Trade Forum, 2011). It is essential to ensure a good travel experience to the tourists for which it is important to have hotels with well- set quality standards designed as per health-hygiene, operation and safety guidelines of the country (Solution, 2018). So, well set-up hotels can help in generating more income and will be able to generate more employment opportunities. Bhutan's tourism policy of 'High Value, Low Impact" limits the number of tourists visiting the country and the increasing number of regional tourists also limits the number of dollar-paying tourists who uses the services of three-star to five-star hotels.

Based on these observations the researchers studied this field to find out the impact of increasing number of non-dollars paying (regional) tourists on hotel industries which leads us to do findings of the gap between the demand and the supply of non-dollar paying (regional) tourists in the hotel industries during the peak season and the lean season, potentiality of non-dollar paying (regional) tourists in Bhutan and challenges and prospects among hotel industries. The number of tourists who have visited the kingdom in 2016 was 2,09,000 (Dorji, n.d) out of which fifty percent of the tourists were regional tourists. As the tourism industry has become one of the major contributors to the economy of Bhutan with the increasing number of tourists visit to the country every year, the researchers have found regional tourists receiving less importance in the body of literature, further, very limited studies have been conducted in the context of Bhutan in the arena of tourism. As tourism sector is expected to regain the momentum after covid era, a bigger dependency on the regional tourist is expected in the times to come and their impact on the Bhutanese tourism sector requires attention and deliberations.

2. Background and Review of Literature

According to travel on spot, tourism as we know it today began taking shape in 16th-18th centuries, when wealthy young people started to travel the world with the sole purpose of gaining knowledge and crossing over from childhood to the world of adults. On July the 5th, 1841, Thomas Cook took 570 of his alcoholic parishioners to a gathering of Loughborough's

temperance society on a train. He fed them and also took care of entertainment and accommodation showed them that having a good time does not require alcohol (Travel on Spot, 2016). He organized more of these tours and eventually started his own travel business. Thomas Cook's success in the business is considered to mark the birth of modern tourism. Travelers are attracted to the natural beauty or the environment like site scenes, high mountains, deep sea, friendly people, different social group, unique culture and important historical and religious resources which comes as a free gift to the country unlike other development sectors such as manufacturing or mining industries and others. Due to such nature of tourism, its investment is believed to be less capital intensive for both maintenance and development purpose. Hence, World Tourism Organization and International Hotel and Restaurant Association (WTO & IHRA, 1999) acknowledged that tourism emphasis its role of importance for economic and sustainable development mostly in less developed countries (Theobald, 2005; Richter, 2019; Strickland, 2019).

In Bhutan, the Government agency started its first tourism industry in Bhutan in 1974 named Bhutan Tourism Corporation and turned itself private in 1991 and now the revenue generation for tourism industry has witnessed a significant growth to USD 73 million in 2014 from USD 2 million (Statistical Yearbook of Bhutan [SYB], 2016;). The tourism industry has enjoyed the continuous growth ever since due to its pristine state of culture and natural heritage attracting all walks of life (SYB, 2016; Sharma, 2019; Strickland, 2019). The tourism council of Bhutan has kept the minimum daily package cost as USD 200 for off seasons and USD 250 for the peak seasons, that covers the cost of a 3-star hotel accommodation, all meals, a licensed tour guide. This package also includes the in-country transportation, camping equipment's and internal taxes. From this sum, the contribution of USD 65 is taken by the government to be spent on facilities like free education, free healthcare, poverty alleviation and developing infrastructure. The regional tourists on the other hand are exempted from such requirements. The regional tourists need not pay the daily tariff and are under no compulsion of selecting the hotel. Thus, most prefer staying in local hotels which are cheaper than 3-to-5-star hotels. According to the Tourism Monitor Report 2015, 73% of nontariff tourists come from Phuentsholing (the land border with India), 26.7% from Paro Airport, 0.1% from Gelephu and 0.3% from SamdrupJ ongkhar. The large number of non-tariff tourists has benefitted small and medium budgeted hotels including some of the three-star hotels.

During the year 2011-2016, total number of regional tourists visiting in the country was 146,797 of which 114,301 were from India and 7,753 were from Bangladesh and 69% of regional tourist arrived over land and rest from air (BTM, 2016). The maximum number of regional tourists visited the country in May of 2016 at a record of 23,694, according to BTM 2016. It also states that the highest number of visitors from the region was from India with 98.1%, 1.5% from Bangladesh and 0.4% from Maldives. In the year 2016 mostly, male regional tourists comprise of 64.8% and female of 35.2%. Majority of regional tourists were young which falls within the age range of 22-45. 52% of regional tourists stayed in non-star hotel, 38% stayed in star-rated hotels and around 7% of them stayed in lodges (BTM, 2016).

It can be clearly drawn that every year, there is increasing flow of tourist in the kingdom especially regional tourists. Their flow has both negative as well as positive impact on the country (Lhendup & Panda, 2021; Sharma, 2019) . Due to the non-tariff policy, the regional tourist gets more freedom with regards to lodging, accommodation, transportation and food. Bhutan has hundreds of hotels located all across the country which ranged from small, simple and local hotels (budgeted) to luxurious resorts (three-, four- and five-star hotels) for affluent travelers seeking the ultimate gateway but in terms of tourists all the tour operators

are required to provide their guests with minimum of three-star accommodation so that they can assure the tourists a comfort (TCB, 2017).

2.1. Factors utilized for the Purpose of this Study

There are couple of important factors that influence the inflow of regional tourists (India, Bangladesh and Maldives) in the kingdom and it determines the increase or decrease of such inflow. The following are the factors:

2.1.1. Regional Tourists and Their Preferences

Regional tourists consist of India, Maldives and Bangladesh. The tourists coming from these countries and their different preferences influence the study. To come and visit the kingdom, there are certain procedures and expenses that one needs to bear so it is not possible for all to visit and enjoy its star hotels. That's why affluent tourists and budgeted tourists also plays a role in influencing the regional tourism of the country. Thus, under hotels, there are budgeted hotels, 3 star hotels, 4 star hotels and 5 star hotels. All these hotels are available for different tourist as per their desire to spend.

Table 1. Regional Tourists and Their Preferences

Variable Coding	Factor 1: Regional Tourists and Their Preferences	Major Literatures and Studies
RT1	Regional (India, Bangladesh, Maldives, etc.) tourists are the highest visitors in our hotel.	Tourism Council of Bhutan. (n.d.); Internatiomal Trade Forum (2011); Bhutan Tourism Monitor(2016); Wangdi, D. (n.d); Pem, C. (n.d); Wangmo(2017); Stastistical Yearbook of Bhutan (2016); Chris Cooper & Rebecca Sheperd. (2014); Lhendup & Panda (2021).
RT2	Our hotel receives major share of revenue from regional tourists.	Tourism Council of Bhutan. (n.d.); Internatiomal Trade Forum (2011); Bhutan Tourism Monitor(2016); Wangdi, D. (n.d); Pem, C. (n.d); Wangmo(2017); Hotels in Bhutan(2018); Chris Cooper & Rebecca Sheperd. (2014); Lhendup & Panda (2021). .
RT3	The regional tourists visiting our hotel are mostly high-end/affluent tourists.	Tourism Council of Bhutan. (n.d.); Internatiomal Trade Forum (2011); Bhutan Tourism Monitor(2016); Wangdi, D. (n.d); Pem, C. (n.d); Hotels in Bhutan(2018); Stastistical Yearbook of Bhutan (2016); Chris Cooper & Rebecca Sheperd (2014); Lhendup & Panda (2021). .
RT4	The regional tourists visiting our hotel are mostly low-end/budgeted tourists.	Tourism Council of Bhutan. (n.d.); Internatiomal Trade Forum (2011); Bhutan Tourism Monitor(2016); Wangdi, D. (n.d); Pem, C. (n.d); Hotels in Bhutan(2018); Stastistical Yearbook of Bhutan (2016); Chris Cooper & Rebecca Sheperd (2014); Lhendup & Panda (2021).
RT5	From the three highest visiting regional countries (India, Bangladesh, Maldives, etc), tourists from India brings in the highest income.	Tourism Council of Bhutan. (n.d.); Internatiomal Trade Forum (2011); Bhutan Tourism Monitor(2016); Wangdi, D. (n.d); Pem, C. (n.d); Wangmo(2017); Hotels in Bhutan(2018); Stastistical Yearbook of Bhutan (2016); Chris Cooper & Rebecca Sheperd (2014); Lhendup & Panda (2021).
RT6	The regional tourists bring their own vehicle.	Tourism Council of Bhutan. (n.d.); Internatiomal Trade Forum (2011); Bhutan Tourism Monitor(2016); Wangdi, D. (n.d); Wangmo(2017); Hotels in Bhutan(2018); Stastistical Yearbook of Bhutan (2016); Chris Cooper & Rebecca Sheperd (2014); Lhendup & Panda (2021).
RT7	Rooms with balconies are selected by the regional tourists.	Internatiomal Trade Forum (2011); Bhutan Tourism Monitor(2016); Pem, C. (n.d); Wangmo(2017); Hotels in Bhutan(2018); Stastistical Yearbook of Bhutan (2016); Chris Cooper & Rebecca Sheperd. (2014); Lhendup & Panda (2021).
RT8	Extra bed is usually asked per family by the regional tourists.	Tourism Council of Bhutan. (n.d.); Internatiomal Trade Forum (2011); Bhutan Tourism Monitor(2016); Wangdi, D. (n.d); Pem, C. (n.d); Wangmo(2017); Hotels in Bhutan(2018); Chris Cooper & Rebecca Sheperd. (2014); Lhendup & Panda (2021).
RT9	The regional tourists usually eat in the restaurant within the hotel premise.	Tourism Council of Bhutan. (n.d.); Internatiomal Trade Forum (2011); Bhutan Tourism Monitor(2016); Wangdi, D. (n.d); Pem, C. (n.d); Hotels in Bhutan(2018); Stastistical Yearbook of Bhutan (2016); Chris Cooper & Rebecca Sheperd. (2014); Lhendup & Panda (2021).
RT10	There is sufficient parking space for the regional tourists coming with their own vehicle.	Tourism Council of Bhutan. (n.d.); Internatiomal Trade Forum (2011); Bhutan Tourism Monitor(2016); Wangdi, D. (n.d); Pem, C. (n.d); Wangmo(2017); Hotels in Bhutan(2018); Stastistical Yearbook of Bhutan (2016); Lhendup & Panda (2021).

2.1.1.   E-Technology

Electronic Technology plays a vital role now with the emerging modernization and development. For the kingdom like Bhutan, it still be a developing country, it has many ladders to climb before coming to equal footings in terms of technology with the rest of the world. According to Anderson and Henriksen, 2006, it states that one of the primary objectives of the E-Bhutan project is to focus on e-governance initiatives for public and private agencies involved in the tourism sector. However, due to the rapid development and exposure to the world, there are electronic/online reservation of rooms and also electronic payments available in the country (Andersen and Henriksen, 2016). This brings convenience to the tourists and comfort to their minds. Therefore, this factor plays a vital role in influencing regional tourism.

Table 2. E-Technology

Variable Coding	Factor 2: E-Technology	Major Literatures and Studies
ET1	Rooms are booked via e-reservation by the regional tourists visiting our hotel.	Chaisawat, K. N. (2011); Travel Trade Journal (2017); Andersen and Henriksen (2016); Lhendup & Panda (2021).
ET2	Regional tourists usually go for on arrival bookings.	Chaisawat, K. N. (2011); Travel Trade Journal (2017); Andersen and Henriksen (2016); Lhendup & Panda (2021).
ET3	E-Booking is beneficial to our hotel.	Chaisawat, K. N. (2011; Travel Trade Journal (2017); Andersen and Henriksen (2016); Lhendup & Panda (2021).
ET4	Payment are done via electronic methods.	Chaisawat, K. N. (2011); Travel Trade Journal (2017); Andersen and Henriksen (2016); Lhendup & Panda (2021).
ET5	The location of rooms are selected by the regional tourists before their arrival.	Chaisawat, K. N. (2011); Travel Trade Journal (2017); Andersen and Henriksen (2016); Lhendup & Panda (2021).

2.1.3 Government Policies

Government policies imply that all tourists should check in the country through immigration and it is not an easy process to complete. For example, firstly, just to get to immigration, if the person arrives in Phuentsholing on Friday evening, then he will have to wait for another two days (Saturday and Sunday) till the office opens on Monday, which leads to wastage of time and money. Secondly, if the person entering in the country gets to go to Thimphu and wants to later visit Punakha, he has to follow certain procedures to go to Punakha, which is time consuming. Thus policies laid down by the government also play a vital role in influencing the regional tourism.

Table 4. Government Policies

| Item Code	statement	Major Literatures and Studies
GP1	The taxation system is favorable for our hotel.	Review Report on Tourism Policy and Strategies (2016); Tourism Council of Bhutan (n.d.); Druk Asia (n.d.); Dorji, T. (n.d.); Business Bhutan (2016); Lhendup and Panda (2020); Ghosh and Chakraborty (2020)
GP2	The government policies are supportive and encouraging.	Review Report on Tourism Policy and Strategies (2016); Tourism Council of Bhutan (n.d.); Druk Asia (n.d.); Dorji, T. (n.d.); Business Bhutan (2016), Tshering (2015) ; Lhendup and Panda (2020); Ghosh and Chakraborty (2020)
GP3	The slogan 'High Value, Low Impact' has affected us adversely.	Statistical Yearbook of Bhutan (2016); Review Report on Tourism Policy and Strategies (2016); Tourism Council of Bhutan (n.d.); Druk Asia (n.d.); Dorji, T. (n.d.); Business Bhutan (2016), Tshering (2015) ; Lhendup and Panda (2020); Ghosh and Chakraborty (2020); Strickland (2019). (Strickland, 2019)
GP4	Immigration rules are favorable and conducive.	Statistical Yearbook of Bhutan (2016); Review Report on Tourism Policy and Strategies (2016); Druk Asia (n.d.); Dorji, T. (n.d.); Business Bhutan (2016), Tshering (2015) ; Lhendup and Panda (2020); Ghosh and Chakraborty (2020); Strickland (2019).
GP5	Government facilities are adequate.	Review Report on Tourism Policy and Strategies (2016); Tourism Council of Bhutan (n.d.); Druk Asia (n.d.); Dorji, T. (n.d.); Business Bhutan (2016), Tshering (2015) ; Lhendup and Panda (2020); Ghosh and Chakraborty (2020); Strickland (2019).

2.1.4 Increasing Capacity

Our research focuses on whether the capacity of hotels has increased over the years or has the number of hotels increased or both. The reason for this is because regional tourists has been increasing over the years rapidly and along with it, their accommodation has also risen. Thus, the demand and supply of accommodation is at par or is there any alteration, for that reason, capacity plays an important role. It effects the number of regional tourists coming to the country. Other than the capacity, services available for the tourists also influence their inflow (Lhendup and Panda, 2020). The question of whether the hotels provide satisfactory services to the tourists effects the regional tourism of the country.

Table 5. Increasing Capacity

Variable Coding	Factor 5: Increasing Capacity	Major Literatures and Studies
IC1	The number of rooms in the hotel has increased.	Hanqin Qui Zhang, Ellen Wu, (n.d.); International Trade Forum (2011); Market Size of the Global Hotel Industry (2017).
IC2	The standard of the rooms of the hotel has increased.	Hanqin Qui Zhang, Ellen Wu, (n.d.); International Trade Forum (2011); Market Size of the Global Hotel Industry (2017).
IC3	The number of staff in the hotel has increased.	Hanqin Qui Zhang, Ellen Wu, (n.d.); International Trade Forum (2011); Market Size of the Global Hotel Industry (2017).
IC4	Our acceptance in the market has increased in recent years.	Hanqin Qui Zhang, Ellen Wu, (n.d.); International Trade Forum (2011); Market Size of the Global Hotel Industry (2017).
IC5	Extra beds has been added in the rooms in recent years.	Hanqin Qui Zhang, Ellen Wu, (n.d.); International Trade Forum (2011); Market Size of the Global Hotel Industry (2017).

2.2. Proposed Model/Conceptual Model

Based on the literature review it has been found that the government policies play a vital role in the way hotel industry functions in the country. further, the definition and policies of regional tourists also depends largely on the government policies. In this premise the following model has been proposed for the study.
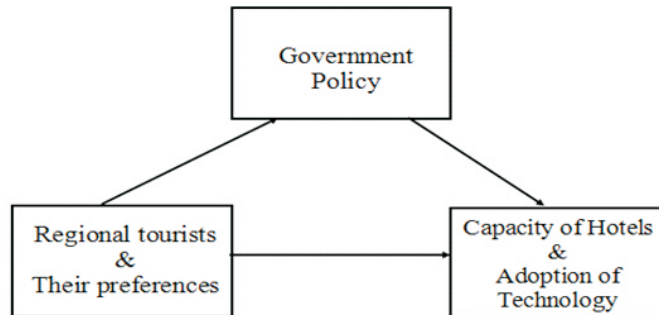
Figure 1. Proposed Model

The above model tests the direct relation that regional tourists and their preferences (RT) has on capacity of hotels and adoption of technology. For this purpose, capacity of hotels (IC) and e-technology (ET) have been combined as one factor (ETIC). This model further explores the mediating role of the government policies (GP). This model is expected to test the following main hypothesis;

H1: Regional tourists have direct impact on capacity of hotels and adoption of technology.
H2: Government policies have a significant relation to regional tourists and their preferences.
H3: Government policies have a significant relation to capacity of hotels and adoption of technology.
H4: Government policies have a significant mediating role between regional tourists and their preferences and capacity of hotels and adoption of technology

1. Research Methodology

The hotels at Thimphu, Paro, and Phuentsholing were selected for study because it has a large representation of hotels in Bhutan. Target population involved in the study consisted of all the Managers of the hotel. The hotel's Information was obtained from www.hotel.bt indicated that there were two hundred fifty-four hotels registered as of 2018.The major hotels were located at Thimphu as 68, Paro 51, and Phuentsholing 27. Therefore, the researchers have conducted survey in Dzongkhag based on the majority of hotels located. Since the researchers were new to the hotel industry with limited connections, snowball sampling technique was utilized where the hotel managers were asked to connect the other hotel's managers/owner to register the response. The research team in Bhutan visited each of the hotels in person to take their feedback and responses on the questionnaire. The profile of the hotels is given as under table 7.

Table 7. Hotels' Profile

	Responses	Percentage
Type of Hotel	5-Star Hotel	1
	4-Star Hotel	2.1
	3-Star Hotel	44.3
	Budget Hotel	52.6
Hotels Location	Thimphu	45.4
	Paro	35.1
	Phuentsholing	19.6
Visit of Regional Tourists	Yes	84.5
	No	15.5
Non-Regional Tourist	Yes	50.5
	No	49.5
Dedicated Parking Facility	Yes	63.9
	No	36.1
Wi-Fi Facility	Yes	81.4
	No	18.6
Laundry Facility	Yes	70.1
	No	29.9
Availability of Bar	Yes	90.7
	No	9.3
Availability of restaurant	Yes	100
	No	0
Availability of convenience shop	Yes	13.4
	No	86.6
Availability of Spa	Yes	28.9
	No	71.1
Availability of Conference Hall	Yes	38.1
	No	61.9

N=97

The number of hotels covered by the group as per the ratings of the hotels starts from budget hotel to 5-star hotel. The sample of the data collected by the group includes 52.6 percent of budgeted hotels, 44.3 percent of 3-star hotels, 2.1 percent of 4-star hotels and 1 percent of 5-star hotels. In our sample 45.4 percent of hotels were located in Thimphu, 35.1 percent were located in Paro and 19.6 percent were located in Phuentsholing in terms of percentage. We collected the data from hotels which provided lodging facilities.

It can be seen that 84.5% hoteliers deal with regional tourists and 15.5% hoteliers does not deal with regional tourists, whereas 50.5% hoteliers deal with non-regional tourists and 49.5% hoteliers does not deal with non-regional tourists.

In terms of facilities available in the hotels., 63.9% hotels have its own parking space while 36.1% does not have parking space for the regional tourists visiting the hotels.81.4% of hoteliers provide Wi-Fi facilities and 18.6% of hoteliers do not provide Wi-Fi facilities to the visitors. 70.1% of hoteliers have laundry service and 29.9% of hoteliers do not have laundry services.90.7% of the hotels have its own bar whereas 9.3% does not have their own bar for the visitors. All the sampled hotels had their own restaurants catering to the food requirement of the guests. 13.4% hotels have their own shopping center and souvenir while 86.6% hotels do not have. We can conclude from the above result generated that 28.9 percent of the hotels provide spa facility and 71.1 percent did not have spa facility. We can conclude from the above result generated that 38.1 percent of the hotels had conference hall and 61.9 percent were not having conference hall. To check the reliability of the data utilized, Cronbach alpha values have been utilized as the measurement variable as given under table 8.

Table 8. Reliability Analysis

S. No.	Variables	No. of Items	Cronbach's Alpha
1	Regional Tourists and their preferences	10	.558
2.	E-Technology	5	.621
4.	Increase in Capacity	5	.692
6.	Government Policies	6	.636
7.	**Overall**	**26**	**.712**

Cronbach (1951) suggested that alpha value more than .5 shows the acceptable level and it's considered to be reliable. The alpha value above .7 is considered to be very good i.e., highly reliable. This means that the data collected has a decent level of internal consistency and thus is referred as reliable. As seen from the Table 4.13. Cronbach's Alpha has achieved the acceptable figures i.e., >.5 with an overall alpha value of >.7. This means the data is reliable and can be used for the present study on a liberal side.

4. Data Analysis and Interpretations
The analysis of the data collected through 97 samples from three locations i.e. Thimphu, Paro and Phuentsholing for which the mean scores of the responses have been analyzed followed by correlation and regression analysis. To check the model, SEM analysis has been performed through AMOS-20. The p values of correlation and regression have been used to test the proposed hypotheses.

4.1. Mean Analysis

Table 9. Descriptive Statistics of Regional Tourists and Their Preferences

	N	Mean	Std. Deviation
RT1	97	3.9175	1.06722
RT2	97	3.4124	1.12502
RT3	97	3.2165	1.02293
RT4	97	3.2784	.93254
RT5	97	3.8557	1.07034
RT6	97	3.2165	.86875
RT7	97	3.0309	1.14067
RT8	97	3.8351	.77299
RT9	97	3.3608	.76629
RT10	97	3.2268	1.21196
Valid N (listwise)	97		

As it can be seen from the Table 4.1.9, at an overall level the mean score suggests that the mean values are towards the agreement scale i.e., 3 to 4. This suggests that majority of the respondents agreed to the statements pertaining to RT.

Table 10. Descriptive Statistics of E-Technology

	N	Mean	Std. Deviation
ET1	97	3.3402	1.18045
ET2	97	3.2784	1.01799
ET3	97	3.6186	1.09395
ET4	97	2.7732	1.14114
ET5	97	3.2474	.96858
Valid N (listwise)	97		

As it can be seen from the Table 4.1.10, at an overall level the mean score suggests that the mean values are towards the agreement scale i.e. 3 to 4 except ET4 (2.7732). Thus, the Orientation has been achieved on the agreement side for this variable.

Table 11. Descriptive Statistics of Increasing Capacity of Hotels

	N	Mean	Std. Deviation
IC1	97	2.6082	1.23791
IC2	97	3.4536	1.11823
IC3	97	3.4021	1.13339
IC4	97	3.5876	.96558
IC5	97	2.9485	1.08370
Valid N (listwise)	97		

As it can be seen from the Table 4.1.11, at an overall level the mean score suggests that the mean values are towards the agreement scale i.e. 3 to 4 except IC1 (2.6082) and IC5 (2.9485). Thus, the Orientation has been achieved on the agreement side for this variable.

Table 12. Descriptive Statistics of Government Policies

	N	Mean	Std. Deviation
GP1	97	3.5361	.91358
GP2	97	3.5876	.94376
GP3	97	2.6804	1.00568
GP4	97	3.5773	.97719
GP5	97	3.5361	.84239
GP6	97	3.2062	1.03015
Valid N (listwise)	97		

As it can be seen from the Table 4.1.12, at an overall level the mean score suggests that the mean values are towards the agreement scale i.e., 3 to 4 except GP3 (2.6804). Thus, the Orientation has been achieved on the agreement side for this variable.

4.5. Correlation Analysis

Table 13. Pearson Correlation (All variables)

	RT	ET	IC	GP
RT	1	.561[**]	.438[**]	.270[**]
ET		1	.470[**]	.196
IC			1	.308[**]
GP				1

**. Correlation is significant at the 0.01 level (2-tailed).
N=97

Significant means the probability of not happening an event where the probability of not happening is 0.01, which means 99% of the time it, will happen. RT has a positive, significant and moderate correlation with IC. Thus, it says that if capacity increases of hotels then RT will also increase. GP is having a weak but significant impact which means GP too has a role

Table 14. Pearson Correlation (Proposed Model Variables)

	GP	ET& IC	RT
GP	1	.297[**]	.270[**]
ET & IC		1	.579[**]
RT			1

**. Correlation is significant at the 0.01 level (2-tailed).

The correlation analysis is performed to evaluate the statistical relationship between the variables. The actual correlation coefficient tells the strength of a linear relation between variables. The correlation value between GP and ETIC is 0.297 and GP and RT is 0.270. Therefore, there is almost moderate positive correlation between both GP and ETIC and GP and RT.

The significance level (p) is 0.01. In the above table, the significance value between GP with ETIC and RT is 0.003 and 0.007 respectively. The significance values are less than significance level (p). So, there is significant relationship between GP with ETIC and RT.

4.6. Structural Equation Model (SEM)
It is the statistical technique for building and testing statistical models, which are often casual models. It is a hybrid technique that encompasses aspects of confirmatory factor analysis, path analysis and regression, which can be seen as special cases of SEM (DM STAT-1, n.d). The basis of the measurement revolves around the fit indices: GFI (Good fit Indices); CFI (Comparative Fit Indices); x2/df (Chi Square) and RMSEA (Root Mean Square Error Approximation).

### 4.6.1. Factor for Regional Tourists and Their Preferences

With 10 items, one dimentional construct was made, with improvement of the model (by deleting few items) based on exploratory factor analysis as per the recommendations of Hair et al (2006) the fit indices were obtained as GFI = .964, CFI = .981 , x2/df = 1.168, p<.05 and RMSEA= .042, indicating a good fit. It has retained seven items and standardized beta values of seven items were .832 (p<.01), .735 (p<.01), .475 (p<.01), .495 (p<.01), .074 (p<.01), .259 (p<.01) and .061 (p<.01) respectively as given in the Figure 2.
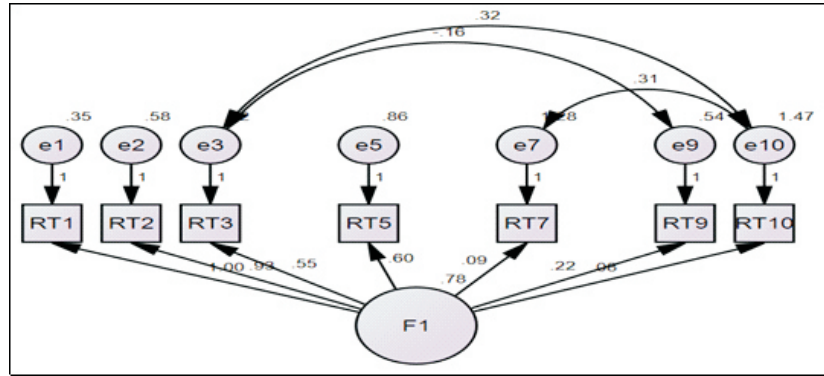
Figure 2. Path Diagram for Regional Tourists and Their Preferences

4.6.2. Factor for Government Policies

With 6 items, one dimentional construct was made, with improvement of the model (by deleting few items) based on exploratory factor analysis as per the recommendations of Hair et al (2006) the fit indices were obtained as: GFI = .972, CFI = 1.000 , x2/df = .974, p<.05 and RMSEA = .000, indicating a good fit. It has retained all six items and standardized beta values of six items were .493 (p<.01), .740 (p<.01), -.051, .776 (p<.01), .776 (p<.01) and .385 (p<.01) respectively as given in Figure 3.
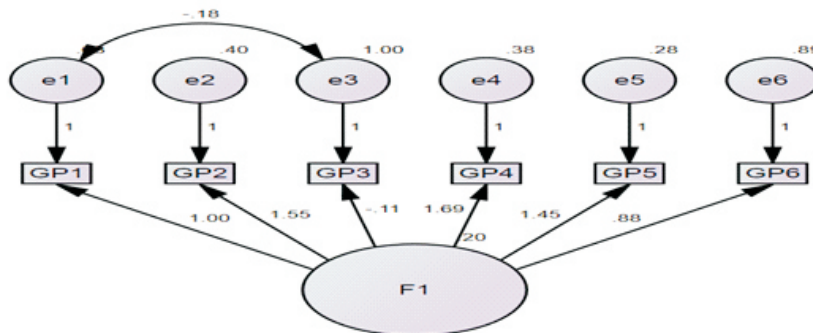
Figure 3. Path Diagram for Government Policies

4.6.3. Factor for Increasing Capacity and Adoption of E-Technology

This was one dimensional construct with 10 items. The result of the CFA indicated that hypothesized model did not fit the data well. Improvement of the model was obtained without deleting any items based on exploratory factor analysis, high modification indices and residuals suggested by Hair et al (2006). The fit indices revised model were as follows: GFI (Good fit Indices) = .944, CFI (Comparative fit Indices) = .996, x2/df = 1.031, p<.05 and RMSEA (Root Mean Square Error Approximation) = .018, indicating a good fit. It has retained all ten items and standardized beta values of ten items were .770 (p<.01), -.003, .687 (p<.01), .626 (p<.01), .386 (p<.01), .189 (p<.01), .482 (p<.01), .568 (p<.01), .430 (p<.01) and .354 (p<.01) respectively as given in the diagram ahead:
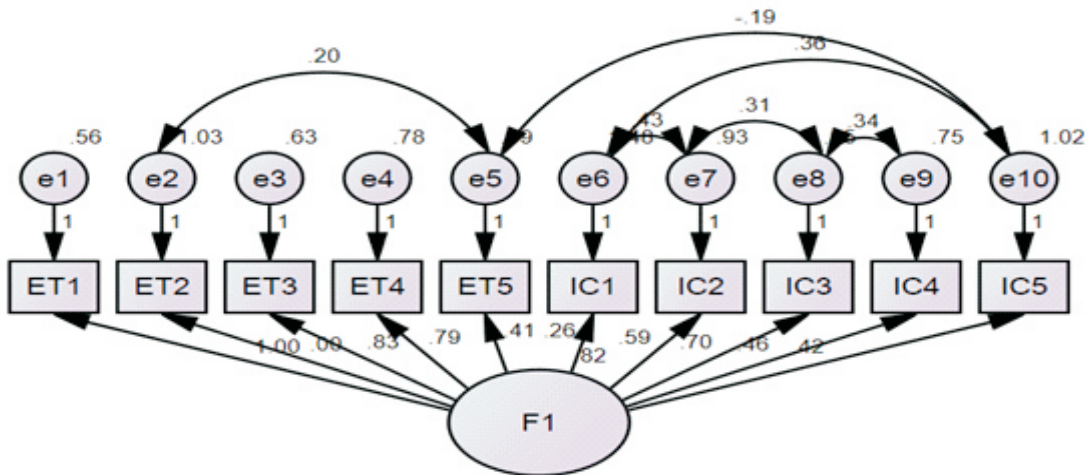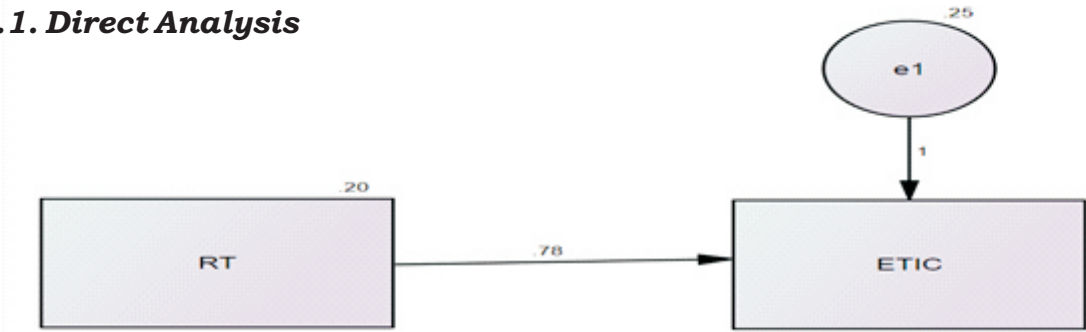
Figure 4. Path Diagram for Increasing Capacity and Adoption of E-Technology

4.6.4. Mediation Analysis

Mediation is the hypothesized casual chain in which one variable affects a second variable that, in turn, affects a third variable (Newsom, 2015).
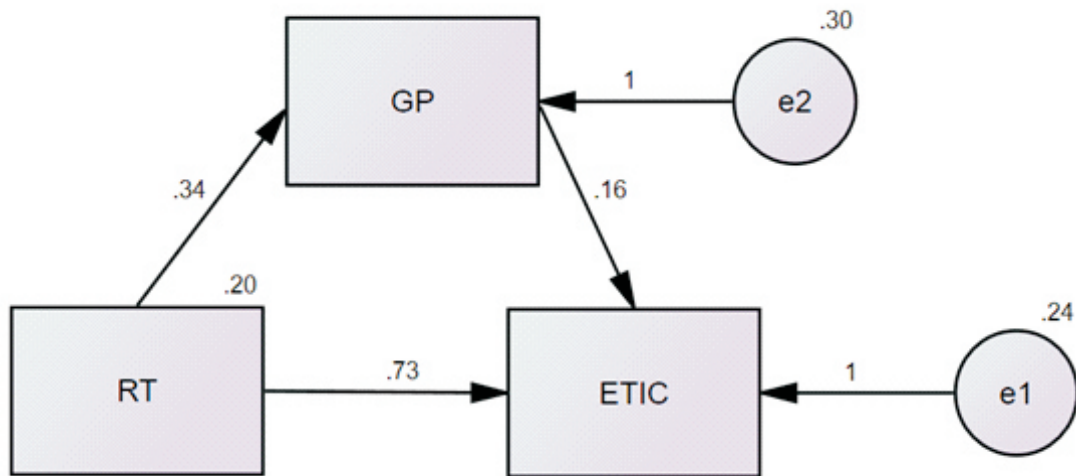
4.6.4.1. Direct Analysis

Figure 5. Path Diagram for Proposed Model (without mediator)

Table 16. Regression Estimate of the Proposed Model (without mediator)

	Direction	Variable	Estimate	C.R.	P
Increasing Capacity and Adoption of E-Technology (ETIC)	<---	Regional Tourists and Their Preferences (RT)	.784	6.966	***

Standardized Regression Weights = .579

Figure 6. Path Diagram for Proposed Model (with mediator)

Table 17. Regression Estimate of the Proposed Model (with mediator)

	Direction	Variable	Estimate	C.R.	P
Government Policies	<---	Regional Tourists and Their Preferences	.339	2.747	.006
Increasing Capacity and Adoption of E-Technology	<---	Regional Tourists and Their Preferences	.729	6.337	***
Increasing Capacity and Adoption of E-Technology	<---	Government Policies	.163	1.778	.075

The above analysis proves that there is a direct relationship between regional tourists and their preferences (RT) and increasing capacity and adoption of e-technology (ETIC). Further there is no mediator role played by government policies (GP). This leads to acceptance of H1 and rejection of H4. The snapshot of the same is given below.

Table 18. Broad Hypothesis

H1: Regional tourists have direct impact on capacity of hotels and adoption of technology.	Accepted
H4: Government policies have a significant mediating role between regional tourists and their preferences and capacity of hotels and adoption of technology.	Rejected

5.   Conclusions

Bhutan started to open its door to the outside world with the formulation of Tourism Regulation in the year 1971. However, tourism was introduced in the year 1974 with the arrival of 287 tariff paying tourists in Bhutan. A regional tourist is a tourist visiting a country other than that in which he/she has a normal residence but within a defined geographical region. Visitors from India, Bangladesh and the Maldives are referred to as regional tourists in Bhutan. Regional tourists visiting Bhutan need not have to pay the USD 200 to 250 that is levied on non- regional tourists.

The research that the group has done is on the impact of increasing number of regional tourists on the hotel industry in Bhutan. Through the research the group has come to know that the independent variables like tourists season, capacity of hotel and the adoption of the e-technology, government policies, customers feedback have some relationship with the dependent variable i.e., regional tourists.

After collecting the sample of 52.6 percent of budgeted hotels, 44.3 percent of 3 star hotels, 2.1 percent of 4-star hotels and 1 percent of 5 star hotels from Thimphu, Paro and Phuentsholing. The group came to know that variables like tourists season do not have any impact on the regional tourists. So no matter what the tourists season maybe there will not be any difference in the number of regional tourists visiting Bhutan. Whereas variables like e-technology have a huge impact on the tourism and hotel industry in Bhutan.

5.1. Tourists' Seasons and Regional Tourists

Bhutan faces geographical issues and the same has impacted the tourists seasons as well. TCB (2017) has segregated the seasons as peak tourists season and off tourists seasons. This shows the dominance of season governing agencies consider while deciding their policies. The researchers also tested this issue by way of the following research questions for regional tourists.

Question 1: Does tourist seasons play any role in the visit of regional tourists?

The correlation analysis suggests that there is no significant relation between tourists seasons and regional tourists. Regional tourists relation with tourists seasons is negative and insignificant plus it's a weak correlation which means tourists seasons has no relation with regional tourists.

This in other words suggests that regional tourists visit is not affected by seasons and can be seen as an all year-round business opportunity for the hotels. Thus, special attention is required to preserve the visits of regional tourists by way of policies and practices.

5.2. Effect of Regional Tourists on the Capacity of Hotels and Adoption of E-Technology

Since the time Bhutan opened its door to tourists, number of hotels in the country has increased drastically. Alongside with it, government also introduced its slogan 'High Value, Low Impact' which had an impact on the flow of tourists. Later on hotels were also introduced to improve tourism sector but it failed miserably (Lhendup and Panda, 2021; Lhendup and Panda, 2020; Ghosh and Chakraborty,2020; Travel Trade Journal, 2017). Thus, the same was tested through the following research question.

Question 2: What is the impact of regional tourists on the capacity and the adoption of e-technology of hotels?

Regional tourists have an impact on the capacity and the adoption of e-technology of hotels. This has been proven through regression analysis where the p value was found less than .05, this helped us to test the hypothesis H1. The same model was also tested through SEM analysis which found a direct relation between regional tourists and capacity of hotels and adoption of e-technology.

This helps us to conclude that regional tourists have impacted the hotels. That is the hotels had to increase their capacity and have also influenced them to adopt e-technology.

5.3. Role of Government and their Policies

For the development of any country, government policies plays a major role. Bhutan as a kingdom follows the principle of 'High Value, Low Impact' for its tourism sector (Lhendup and Panda,2020; Ghosh and Chakraborty,2020). However regional tourists defy this principle. According to Review Report on Tourism Policy and Strategies (2016) government policies play a major role in tourism for any country. The researchers also tested this issue by way of the following research questions for regional tourists.

Question 3: What is the relationship between government policies and regional tourists visiting Bhutan?

The correlation analysis suggest that role of government policies has a significant relation on regional tourists visiting Bhutan though it is not very strong.

Thus, in other words the inflow of regional tourists is affected by the government policies and government should bring in policies, which are easy, and fast to process in order to improve the flow of tourists.

5.4. Effect of Government Policies on the Capacity of Hotels and Adoption of E-Technology

In every country, government plays an important role in formulation of policies and regulations. No policies pertaining to e-technology were found for hotels in Bhutan but researchers do not have the opinion of not having any. However, there are policies pertaining to infrastructure, building, land, forest cover, sanitation, electricity and water in the kingdom (Guiding Development Philosophy, The Land Act of Bhutan 2007, National Forest Policy of Bhutan 2009, National Sanitation and Hygiene Policy, Electricity Act of Bhutan 2001, Bhutan Water Vision and Bhutan Water Policy). These policies have a direct relation to the physical capacity of the hotels. To test this the following question was framed.

Question 4: What is the impact of government policies on capacity of hotels and adoption of e-technology?

On an overall view, through the use of regression analysis, government policies have significant impact on the capacity of hotels and adoption of e-technology. However, on an individual basis, increase in capacity is impacted by the government policies but not the e-technology since it is not significant. This is because government has no policies regarding e-technology in the kingdom. The researchers are of the opinion that a policy pertaining to the adoption of e-technology among hotels may influence the hotels to adopt the same and use it more effectively.

6.   Recommendations
The following recommendations are made to the various stakeholders directly or indirectly impacted by this study:

6.1.   The Hotel Industry
There is a strong relationship between the regional tourists and the capacity of the hotels and the adoption of e-technology in the hotels. Therefore, as there are a greater number of regional tourists visiting Bhutan, hoteliers can increase the capacity of the hotels in order to attract a greater number of regional tourists which leads to the growth of the hotel industry.

6.2.   Government and its Allied Agency
•Regional tourists have no significant relationship with tourists' season i.e., it has negative and weak correlation. This means regional tourists are going to come irrespective of the tourist seasons. So, we would like to recommend the Tourism Council of Bhutan to encourage a greater number of regional tourists in Bhutan throughout the year.
•The government policies have significant impact on regional tourists and their preferences. So, if the government policies are favorable, it will lead to the increasing number of regional tourists in Bhutan.

6.3.   Tour Agents
It would be effective for the tour agents if they could adopt the e- technology because many things in the word are dealt through online and it can be more convenient for the regional tourists to avail the information and book the trip online.

6.4.   Researchers
We would like to recommend the future researchers that in order to collect the data it would be better if they could go during the lean seasons because it would be convenient for them to collect the data as the hoteliers would not be busy during that time unlike the peak seasons.

7. Directions for Future Research
•Tourist agencies could be involved.
•Transportation means such as Druk Air and Tashi Air and other means of transportation could also be involved.
•Research could be done in a wider range/area.

7.1.   Limitations of the study
i.   Out of total number of 146 hotels from Thimphu, Paro and Phuentsholing we have drawn a sample of 97 hotels therefore this research may not represent the result of all the 146 hotels from these three places.
ii.   Some of our respondents were very busy as it is the peak season for tourists visiting Bhutan so we might not get the 100 percent correct responses from the respondents.
iii.   Budgeted hoteliers were mostly uneducated so they might have given response based on their own understanding.
iv.   We were not able to meet the real owner or the manager of the hotels in some cases so we might not have got the correct responses from the receptionists.

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