

**Pre and Post Analyses of Conflict on Hoteling Industry in District
Swat**



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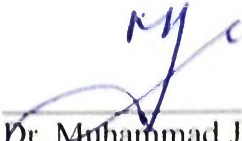


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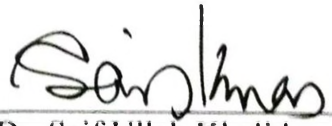
CERTIFICATE

This is to certify that this thesis entitled: "*Pre and Post Analyses of Conflict on Hoteling Industry in District Swat*" submitted by Waqar Ahmad is accepted in its present form by the Department of Development Studies, Pakistan Institute of Development Economics (PIDE), Islamabad as satisfying the requirements for partial fulfillment of the degree in Master of Philosophy in Development Studies.


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Abstract

This paper investigates the economic exploration of tourism earlier and afterwards the insurgency in district swat. For this purpose a data set of 72 hotels is selected from the valley in order to find the negative consequences of conflict on hotel industry in the valley using simple random sampling technique. The findings show that the sample hotels in the study area have negatively affected due to conflict having huge financial losses. Because, tourists' flow and monthly revenues to this sector has been dropped extensively in urban, semi-urban and rural areas. Further, the t-test results clearly indicates that a significant difference exists in daily room occupancy, reduction in tourist arrival, monthly revenues and employment between the pre-conflict and post conflict scenario. Bank loans and other loans and private saving are identified as the major sources of financing for the purpose of rehabilitation of the affected hotels in the area. It is concluded that terror activities and conflicts do have an adverse effect on businesses and tourism. Therefore it is recommended that the government and non-governmental organizations should play their role in rehabilitation efforts and focus on financing the affected enterprises to ensure peace and security in the study area in order to promote the tourism industry in the area.

Key Terms: Conflict; Tourism; Terrorism; Hotel Industry; GDP

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CHAPTER 1

INTRODUCTION

Pakistan a paradise of natural beauty has been suffered from a great deal of war against terrorism. That has greatly affected its development and still Pakistan paying a heavy price for loss in the form of infrastructure destruction, low economic growth, sacrificing citizens and tourism backwardness. It shattered the soft image of Pakistan in international world which pushed tourism industry back far away. The local stakeholder of tourism shifted their capital to other protected areas. The Pakistan Hotel Association (PHA) in 2008 showed a very sharp decline in hotel occupancy rates particularly after an incident of bombing of Marriot hotel in Islamabad; capita of Pakistan. The hotel events and functions such as conventions and marriages were decrease. The rate of occupancy decreased from 60 to almost 40 percent.

In Pakistan, the most attractive tourist spots are situated in the northern parts including the mountainous region. The Khyber Pakhtunkhwa is the most worst affected province of the country. It is estimated that cost of approximately Rs.300 billion has been occurred to this province due to terrorism (Frontier post, 2010). Specially, the Swat valley, which is also known as Switzerland of Pakistan, alone suffered from a loss of Rs. 60 billion between 2007 and 2010. In these harsh years, different tourist resorts namely Kalam, Malam Jabba, Fizagat, Murghuzar Miyadam and Behrain were deserted, gloomy and lonely. Majority of the hotels in these significant areas were shut down due to insecurity and tourists stopped to visit this valley immersed in war against terrorism. It greatly reduced business operations and activities in the valley.

Considering such huge economic losses and its effect on the sources of people livelihood, this study has investigated the impact of terrorism on hotel industries in post conflict situation and has unfolded the insights for policy makers for restoring hotel industry in the valley of Swat.

1.1 Research Problem

Increase in violence by the militants is a greatest challenge to the process of development. In 2007 militants took full control of district Swat in 2007, in order to enforce their ideology in the valley. Their aim was to implement Islamic system of government. This caused a serious damage to the tourism industry in the region. Due to the increasing insurgency in the valley, the state military launched military operation against the Islamic militant groups during 2007-2009. These armed conflicts and militancy operation where having severe effects on the local people, their society economy and tourism industry of Swat. This study therefore seeks to analyze how armed conflict has affected hotel and tourism industry in the reign. There are many studies nationally and internationally conducted which are related to the current study but no any research has been carried out on the effect of individual firms in the tourism industry in upper swat, particularly concentrating on hotels locating in Kalam Swat. Where the tourist have decreased their stays in hotels and trying to go back without taking more time at tourist spots. That has contributed more to the decrease of revenue generation from hotel industry.

1.2 Research Objectives

The study was intended to pursue the following objectives.

1. To find out the effect of conflict on hotel industry in valley of Swat.
2. To investigate the strategies adopted by hotel industry to deal with terrorism.
3. To give policy recommendation for restoring hotel industry destructed.

1.3 Significance of the Study

The study has been found meaningful to make its stockholders and other people able to restore their collapsed hotel business in the area. It could enhance the capacity of existing hotel to absorb more and more unemployed individuals of the area.

Additionally, the study has also been found very valuable to the businessmen and managerial practices in the hotel industry in district Swat as it could aid the managers in finding out practice, more favorable to them in dealing with impacts of conflict and would increase their potential to survive in the harsh business environmental situations.

1.4 Organization of the Study

The study has been divided into five chapters. Chapter I deal with brief introduction of the issues contributed to the rise of militancy in swat and its consequences on hotel industry. In chapter II review of recent literature has been done. Chapter III discusses the methodology of the study. Chapter IV of the study includes data analysis of the study. Chapter V includes the conclusion and policy suggestions of the study.

1.5 Key Terms

1.5.1 Conflict

Conflict refers to some form of friction, or discord arising within a group when the beliefs or actions of one or more members of the group are either resisted by or unacceptable to one or more members of another group.

1.5.2 Tourism

Tourism as defined as an organized economic activity started since 1972 in Maldives (Ministry of tourism, 2009). Its concept includes provision of services such as accommodation, food and transportation etc along with their related services for attracting tourists (Niyaz, 2002).

1.5.3 Terrorism

Terrorism is the pre-dominated use of threats, of extra normal violence for achieving religious and political objectives through pressure or fear oriented to a larger audience. Generally, it is designed as to obtain the pre-planned objectives through maximum use of violence and brutality as a main ingredient to get the things done. It is more in activation related to psychological effects behind all actions (Anderton and Carter, 2004).

1.5.4 Gross Domestic Product (GDP)

GDP refers to the gross domestic product, is the market value of all goods and services produced within a specified geographical area (country) in limited interval of time (normally per year)

1.5.5 Pakistan Hotel Association

PHA is a platform and representative of hotel industry which regulates communication between hotels stockholders and government. It was established in 1963 under section 3 of the Trade Organization ordinance, 1961 and the license was granted by the Ministry of Commerce.

1.6 Historical Background

The study area is located in North of Khyber Pakutunkhwa province. The valley is a famous tourist spot because of its scenic beauty, natural landscape and abundant natural resources. In the West of the Valley is located District Dir, while in the north it extends to Northern Areas bordering China. The valley is endowed with natural forests and natural spring and water- falls which add to its attraction for the tourists. Swat valley is one of the

most beautiful and historical valley in Pakistan. It is one of the greener and more fertile valleys because it lies in the monsoon belt. In addition, the valley is rich with the Ghandhara civilization and historical places in many locations. Local crafts are also famous which has made the valley a popular location of the tourists. Therefore, the valley attracted tourist both within and outside the country. Especially, in the summer season, tourists' inflow reaches to the peak in the valley generating sufficient revenues for the business community. Hotel industry is also the source employment for local people. Since 2008, the valley came under fire because of the increasing militancy, suicide attacks, and explosions in the area. In 2009, the government launched a military operation in the area to cleanse the area from the militants. Millions of local inhabitants were displaced from the area. All the economics activities including the hotel industry came to a halt. In addition, many hotels were attacked and several others were looted. Physical damages millions of rupees occurred to the hotels in the area and thousands of employees lost their jobs. The swat valley became the center of Terrorism, which directly affected every sector of the local economy. That in turn overburdened the economy of Pakistan. The conflict in the area devastated the economic conditions in the area. This led to the loss of a major share of revenue which was generated through tourism sector before the conflict. Swat valley is one of the most beautiful and historical place in Pakistan. It is greener and fertile valleys and it is so attracted due to his beauty and his hospitality of the people that the people called them with the name of Paradise on earth.

Chapter 2

Literature Review

This chapter contains review of previous related literature to the impact of conflict on firms and hotel industry. There is abundant literature available on the relationship between the acts of conflict and its effect on tourism. The tourism and travel industry is considered as one of the largest industries contributed about 7.6 trillion U.S dollars to the world economy in 2016. Its direct economic impact containing transportation, attractions, accommodation and entertainment in that year was about 2.3 trillion U.S dollar. In 1989, as a result of restriction on students due to conflict hotel occupancy rate in Beijing declined by 30 percent and revenue of tourism decreased by \$430 million in that specific year (Gartner and Shen 1992, Hall and O'Sullivan, 1996 cited in Sonmez 1998). The previous studies have shown that tourists are not choosing tourists spots with greater threat of terrorist attacks (Frey, et.al, 2004). It has negatively affected the choice of tourist destination. The greater state domination and ethno religious diversity has more affected the incidence of terrorism (Piazza, 2006). Such terrorism generally has a much localized consequences. The various aspects of terrorism had been remained the subject of various studies for example, the impact of skirmishes on terrorism destination (Pizam, Smith, 2000), the fiscal consequences of terrorism on countries of low and upper income (Gupta, Clements, Bhattacharya, and Chakravarti, 2003) and the macroeconomic consequences of terrorism (Blomberg, Hess, and Orphanides, 2004). The effect of terrorism on political instability had also been studies (Sönmez, 1998). Such as, the incident of 9/11 terrorist attack has also resulted significant loss of about \$10 billion in tourism industry in USA. The rate of hotel occupancy was also declined by 50 percent, which was lower than the normal and the overall rates were lower more than 40 percent.

Furthermore, a third of nations about 256,000 unionized restaurants and hotel workers were became jobless (The Washington Post, 2001).

There are some countries like in Egypt, the terrorist trying to hurt the country growth and income through violent actions and behaviors against tourists. Slimily, in Turkey, the Kurdish violent action brings the tourism down in the east (Feichtinger, Hartl, Kort, and Novak 2001). The literature reveals that regional war, terrorism and political instability has reduced tourism (Hurley, 1988; Enders and Sandler, 1991, Pitts, 1996). However, it has been approved by literature that war had positively affected tourism. The conflict stimulates tourism like military, political, emotional and promotional tourism and such category of tourism which is motivated by war and conflict is the largest single known type of tourism known (smith, 1998). Additionally, the war, violation of human rights and such like other politically encouraged violence adversely affected the arrival of tourists and even the kind of government has also affected their arrival to tourist spots. For example, tourists' arrivals in an autocratic regime are less than in a democratic government (Neumayar, 2004). The factors related to sociopolitical situation such as domestic violence and tension between terrorism and neighboring countries have been recognized as a serious threat to the tourism industry (Richa, 2005).

Globally, the terrorism impact on tourism since 1972 had adversely affected the hotel industry, and change in touristic strategies seriously decreased revenues generation for many countries (Sonmez and Graefe, 1998). The hotel industry in Rome had experienced a significant decrease of about 60 percent in the year of 1985 in hotel occupancy among the guests of America (Hurley cited in Sonmez and Graefe, 1998)

Developing nations generally tend to fall into the vulnerability of causing with conflict and wars. On the opposite hand, developed nations, because of their strategic and premeditated

guidelines, are incentive to ensure peaceful state for their humans. (Stewart, Humphreys, & Lea, 1997). It approves the claiming that contribution of developing nations in increasing the variety of wars in world is high. By examining the condition of maximum affected nations from wars. (Stewart, Humphreys, & Lea, 1997) Found out that in the era of 1970 to 1990, the cost related to wars changed into a good deal extra than most effective the war deaths. The warfare's cost included economic as well as social cost. The effect of conflict varied with duration and nature of conflict and economic condition. The massive conflict cost changed into virtually meditated by way of low GDP, reduced exports and food production, in comparison to the rates in the absence of conflict. The infant mortality rates are higher in conflict affected areas compare to conflict free areas (Auvinen, 2001) furthermore, it is stated that poor people are more vulnerable segment of society during the warfare.

Researchers in Development economies are showing their concerns over the issue of negative impact of violent conflicts on economy. Numerous Researchers have conducted studies on micro and macro levels in order to know the dynamics of conflict and how to evaluate it. (Anesi 2012) has built on the previous research works of Deininger (2002) and Furst et al (2010) he conducted a study in order to investigate the negative impact of conflict on socioeconomic levels. It seeks to measure the household economic welfare at a district level. To measure the household economic welfare, Change in household economic welfare is measured at the district level by aggregating household index scores from 2002 and 2006. Conflict intensity is measured using ACLED, a data set on conflict event location and actors who was recently made available in 2010. The study shows definite evidence that conflict intensity is directly dependent on the harmful impact on household socioeconomic welfare. However, these results only fit in the Uganda case. The results can't be generalized on a global level.

During conflict times, the government authorities increase their military spending, hence diverting their resources to war, which could have been put in other productive uses and hence it has direct impact on economic growth. According to (Collier and Hoeffler, 2002b) during peace an average developing country, e.g. a country having GDP less than \$3000 per capita in 1995 spends up to 2.8 percent of their GDP on military spending's. On the other hand, during civil wars this percentage increases up to 5.00 percent of total GDP. These high military expenditure crowds out spending on other areas like infrastructure, education and health. (Knight et al 1996) in an attempt of identifying and quantifying military costs during both peace and war stated that an increase of overall 2.3 percent in military expenditure leads to a total 2.00 percent loss in GDP. Here only that income which is diverted by state for the purpose of military activity is added, resources destruction caused by rebel groups is not counted for. Another study conducted by researcher Collier (1999) states that during civil war's countries growth slowed up to almost 2.2 percent, compared to peace. During a civil war up to seven years, the incomes fall to 15 percent hence causing an increase of 3 percent in absolute poverty. The cumulative lack of earning in the course of a warfare is almost same to 60 percentage of a country's GDP. A loss which is lots more than the loss incurred while the resources are diverted to boom the army spending, proving that maximum of the bad results of conflict are due to an increase in violence and not because of a waste of sources.

Using survey data of 18 countries (Stewart, Huang and Wang, 2001) established that 14 countries, for which GNP growth rates could be calculated, their annual growth rates were a negative about 3.3 percent. The growth rates varied for -2.7 percent in Mozambique during the war to -13.4 percent in Iraq. They also stated that a wide range of macro-economic indicators worsened during the conflict, where 15 out of 16 countries reported a fall in incomes, 13 out of 17 countries experienced a drop in food production, and all the war economies under consideration suffered an increase in external debt.

During war infrastructure and public works are deliberately targeted as a part of military strategy, here the other party's communication and support lines are especially targeted such as airports, roads and bridges, etc ., Moreover, foot soldiers deliberately target houses, schools and health facilities. An example can be of the war in Liberia during the 1990s where most of the groundwork was deliberately damaged and looted, Monrovia, the largest port in the country suffered the most. Moreover, most of the “Liberian Electricity Corporation” was destroyed, and the additional looting destroyed most of the transmission systems (Hoeffler, 1998).

Using the particular proxies of light output for income a contrast between the stable areas of Northern Somalia has been compared to the war stung areas of the South to analyze the extent of economic recovery and decay. Using geographical analyses of settlement patterns the author argues that specific metrics of light output can be used as a proxy for income patterns of different social groups. The authors conclude that for poorer areas, there is a greater dividend associated with peace. The urban households living in the outskirts of cities benefit greatly from stable governance, both locally and nationally. The results further proved that local conflicts do not change light outputs from central business districts. Hence proving that among elites in well-developed urban centers, there is no incentive to end the conflict and give a political solution (Shortland, Christopoulou & Makatsoris, 2013)

Abadie & Gardeazaba, (2002) have investigated the economic effects of conflict in a unique way. The case study has been conducted to evaluate the negative economic effect of conflict in the Basque Country. Two unique strategies have been used. Firstly, “synthetic” control region has been constructed by the combination of other regions. This “synthetic region” reflects many relevant economic characteristics of the Basque Country before the start of political terrorism in 1970. The economic analysis of this control region is then compared to the actual terrorism consequences experienced by the Basque Country. The important results

deduced from the research show that over a period of two decades, there is a ten percent GDP gap between per-capita GDP of Basque Country and a comparable synthetic economy without terrorism. Furthermore, there is a positive relationship between per-capita GDP Gap and intensity of Terrorism. The second part of the study is conducted by using ceasefire period of 1998-1999 as a natural testing to measure the impact of the conflict with the stock value of a model of Basque and non-Basque firms. The results indicate that Basque stocks have performed better than non-Basque stocks as the truce becomes credible. Basque stocks reflected negative performance at the end of a cease fire period, relative to non-Basque stocks. The paper has made an important contribution by devising techniques that can be used to see the impact of economic conflict anywhere else.

Pakistan is bestowed with a unique paradise by nature which has been remained the focus of many national and international tourists. Its diverse culture, norms, values and hospitality added more to this attraction. The province of Khyber Pakhtunkhwa is the main hub of tourism industry, famous for its natural scenery, dense agriculture, costless hotels, high mountains and clean and pure water etc. Its contribution to the GDP was about 6.9 percent in the form of revenue generation.

All its paradise like beauty which was mostly existed in district swat was loosed by the worst treat of terrorism. Tourism, as one of the main source of income for the local individuals in district Swat of Khyber Pakhtunkhwa, was severely affected by increase act of militancy and war on terror. The economic fertility of tourism especially in hotels industry was destabilized. Majority of the hotels in the valley have been closed as the tourist have stopped the visits of valley due to increase threat of insecurity, bomb blasts, target killings and suicide attacks in the area. As per a survey report, 45 percent of the revenue growth in the hotel industry suffered by such clashes. Moreover, it has badly affected the agriculture sector, level of employment and marketing activities in the valley. The hotel industry had suffered from a

loss of approximately 7.5 billion Rupees in last 5 years and more than 850 hotels, including 398 restaurants were remained closed because of the stressed situation in valley of Swat (Qamar, 2009).

2.1 Theoretical Framework

Globally conflict is a main component of human society. The conflict originate from many factors like financial discrimination, cultural formation, communal alteration, political organization and psychological improvement factors like these are essentially conflictual and become unconcealed via the development of political parties which are thought to have contrary targets. (Ramsbotham, Miall et al. 2011).

In the same line, numerous conflicts are diagnosed with their source concentrated in “complaint” like religious or ethnic prejudices, asymmetrical distribution of sources and striking boom in unemployment (Lange and Quinn 2003)

In same connection, researchers have begun to spotlight the function of “greed” in war situations while discerning the profits that mount up from contributing in conflict situation; possibly employment in military, access to power and scarce resources. However, all the social systems do not contain the same level of tension and conflict. The reasons and occurrence of conflicting behavior in each unique social structure differ in step with the nature of the social structure, styles of social mobility, achieving reputation and allocation of scarce sources and power. Thus, in any social structure where the variety of aspirants over possibilities is inadequate, then there conflict occurs (Cosser 1957).

2.2 There are various theories of conflict few of them are describe as below.

Karal Marx (2005) in his concept opines that the degree of inequality in distribution of resources result in generating conflict. In his view, extra the degree of unequal distribution of scarce resource, the extra ought to one anticipate battle among the dominant and the subordinate group. Inequality in distribution of resources leads to form various interest

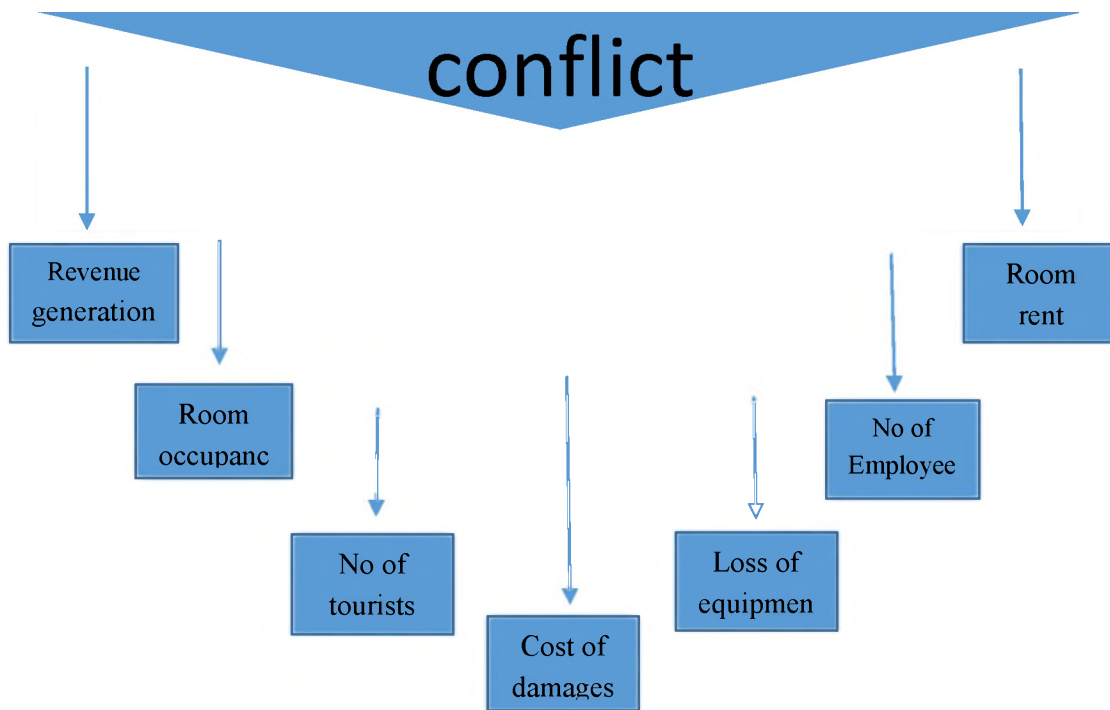
groups within the society, every group striving for interest of its own group. The weaker would organize within the ideological unification which, should lead to form their political leadership. The more the polarized the dominant and subordinate the extra will the conflict violent which leads to structural change in society.

Ballantine et al (2008) Weber in his theory he stratified the society from 3 dimensions. Various contributors of the society can be labeled on the basis of wealth, status and political strength with a high degree of correlation between the three. According to Weber, economically powerful and people enjoying higher positions inside the society are capable to persuade government policies making for his or her person or organization benefits. These effective organizations mobilize their subordinates (the weaker companies or individuals) by means of using their political powers. And this very use of political power for self-advantage and against the weaker ones leads to violent conflict. Violent conflict, according to Weber, then ends in social change.

Dahrendrofs (1959) conflict idea, similar to Weber thoughts, facilities across the idea of authority. He believed that know-how authority is the important thing to understanding social conflict.

In Dahrendrofs view, society can be divided into two classes “Command class” and the “Obey class”. The command class enjoys the authority the obey class has to follow the authority also subservient to command class. Dahrendrofs argue that society had two thing consensus and conflict order and dissension, integration. In his view conflicts which come throw between group’s leads to change social structure.

2.3 Conceptual Framework



Chapter 3

Research Methodology

This chapter encompasses the methodology which was followed for carrying out the existing study. It contains theoretical frame work of the study followed by some theories of conflict. This quantitative research was based on the study targeted population, sampling procedures, data collection techniques, tools for data collection and techniques for data analysis.

3.1 Research Design

Considering research questions and objectives, the present study has used descriptive research designed. Therefore, applying case study approach the researcher has gained in-depth information by emphasizing certain cases and has much and more concrete example to support results and findings of the research.

3.2 Population of the Study

Population of the study was composed on all small and large hotels situated in swat and the target population was hotels especially providing services for tourists the hotels existing in urban semi-urban and rural areas.

3.3 Sampling Techniques

The study employed random sampling technique. In which each unit of analysis has an equal chance of being selection. Further, the systematic random sampling is used to select a sample randomly as a starting point and then picked each i^{th} number from the sample frame.

3.4 Nature of the Respondents

The data was collected from owner/managers of the hotels who are operating their hotel business prior to conflict in Swat.

3.5 Sample Size

There were total 72 hotels providing services of food and stay including both government and private sectors those have been affected by conflict were selected for this study in Swat.

3.6 Variables of the Study

The survey questionnaire was based on variables from both pre and post conflict hotel business activities such as revenue generation in pre and post conflict situation, number of tourists visiting the hotel, loss of equipment, number of employee working in hotel before and after conflict and cost of destruction.

3.7 Data and Tools of Data Collection

Primary data was collected through structure questionnaire in order to show the conformity in the responses by respondents.

3.8 Data Analysis

The data collected was analyzed by using both descriptive as well as inferential statistics. The data has been represented by using tables for better understanding. The computer software such as SPSS was used to carry out results of the data.

Chapter 4

Results and Discussion

4.1 Data Analysis

The data of 70 hotels had been used for the analysis. A total of 48 respondents have been taken from hotels inside the urban regions, 7 respondents have been selected from hotels positioned in semi-city areas, at the same time as 17 respondents were interviewed from hotels positioned in the rural areas. The pattern respondents comprised resort owner, managers and different employees of the hotels. Data was used for the purpose to calculate percentages and mean. Excel sheet was used to generate tables, charts and graphs.

4.2. Demographic characteristics of respondents

The analysis shows that 24 percentages of the sample respondents in the city hotels are illiterate. While 14.28 percentage respondents are illiterate in semi urban location and 23.53 percent of the respondents inside the rural location are illiterate. Moreover, within the urban region sixteen 16.67 percentage of the respondents are graduates, at the same time number of the respondents of the semi urban place 14.28 percent are graduates. The data of rural place pattern consists of 17.65 percent having education to graduate level. The analysis in addition show that 14.58 percent of the entire respondents placed within the city area, 40 percent in semi urban and forty seven percentage in rural region are hotel owners (Table 1).

Table 1: Respondents Demographic Information

Demographic Information	Hotel Location					
	Urban Area	Percent (%)	Semi Urban Area	Percent (%)	Rural Area	Percent (%)
Illiterate respondents	12	25	01	14.28	04	23.53
Respondents with age < 40 years	32	66.67	02	40	09	52.94
Respondents with Graduate degree	8	16.67	01	14.28	3	17.65
Respondents who are hotel owners	07	14.58	02	40	08	47
Respondents with education below graduation	28	58.33	5	28.57	10	58.82
Respondents with > 10 years work experience	30	62.5	02	40	14	82
Sample Respondents	48		07		17	

Numbers in parenthesis are percent of total sample data

Source: computed by researcher based on field survey.

The table 1 shows demographic information of the respondents. There were total 62.5 % of respondents in the urban location who were having work experiences more than 10 years, while in hotels located in semi urban about 40% have experience greater than 10 years. Respondents in rural area hotels having experience more than 10 years are 82 percent. The statistics suggest that majority of the respondents are educated and few number of respondents are graduates.

4.3. Economic losses figures in (Rs) of conflict affected hotels.

Table 2: Economic losses figures in (Rs) of conflict affected hotels.

Type of Cost	Urban Area	Semi Urban Area	Rural Area
Estimated Loss (Rs) Building	983673.07	43740	202142.85
Estimated loss (Rs) assets	181000	0	60333.34
Estimated loss (Rs) crockery	143827.27	38000	45375
Estimated loss (Rs) electric appliances	31723.52	106000	31625
Estimated Loss (Rs) vehicle	16000	0	70000
Others estimated. loss (Rs)	403337.5	35000	77333.33
Total estimated. Loss (Rs)	821234.1463	100740	266600

Source: computed by researcher based on field survey.

Table 2 shows the overall envisioned loss happened of forty eight hotels in urban region. The information shows that the hotel in urban area has been affected well worth price of 821234 Rupees. This price consists of 983673 Rupees, as buildings' damages, 143827 Rupees, as crockery loss and 181000 Rupees, as losses of assets. In 7 hotels of semi urban area, the cost of damage because of conflict is Rupees. 100740. This value includes 43740 Rupees, as construction damages and 106000 Rupees, as electric powered equipment loss 38000 Rupees, as crockery loss. The 17 sample resorts in rural areas have suffered a loss of 266600 Rupees. This loss consists of 202142 Rupees, as construction damage 60333 Rupees, as loss of assets while 70000 Rupees had been misplaced cars and other vehicles damages, robbery and many others during the conflict period.

4.4. Impact of conflict on room price, employment and hotel revenues.

The armed conflict has notably affected the average price of room, monthly sales and hotel occupancy rate in the area. The average room rate for all the classes of pattern resort suggests reduction in pre and post war duration. The common room fee inside the pre -war instances is

390.48 Rupees, for urban area hotels while it is 406.19 Rupees, after the conflict. Considering the case of semi-urban area hotel we find that common room price is 662.5 Rupees, in the pre conflict period at the same time as its miles Rs. 325 after the war.

Table 3: change in average room price, monthly revenue and employment

Variables	Area		
	Urban	Semi Urban	Rural
Average Room Price (Rs)/Night (Pre-conflict)	390.48	662.5	338.24 277.65
^A Average Revenue (Rs)/month (Pre-conflict)	360755 ^{406 19}	736000 ³²⁵	243176
Average No. of employees (pre-conflict)	7.67	9.2	9.65
Average No. of employees(post-conflict)	5.21	2.8	(4.35)

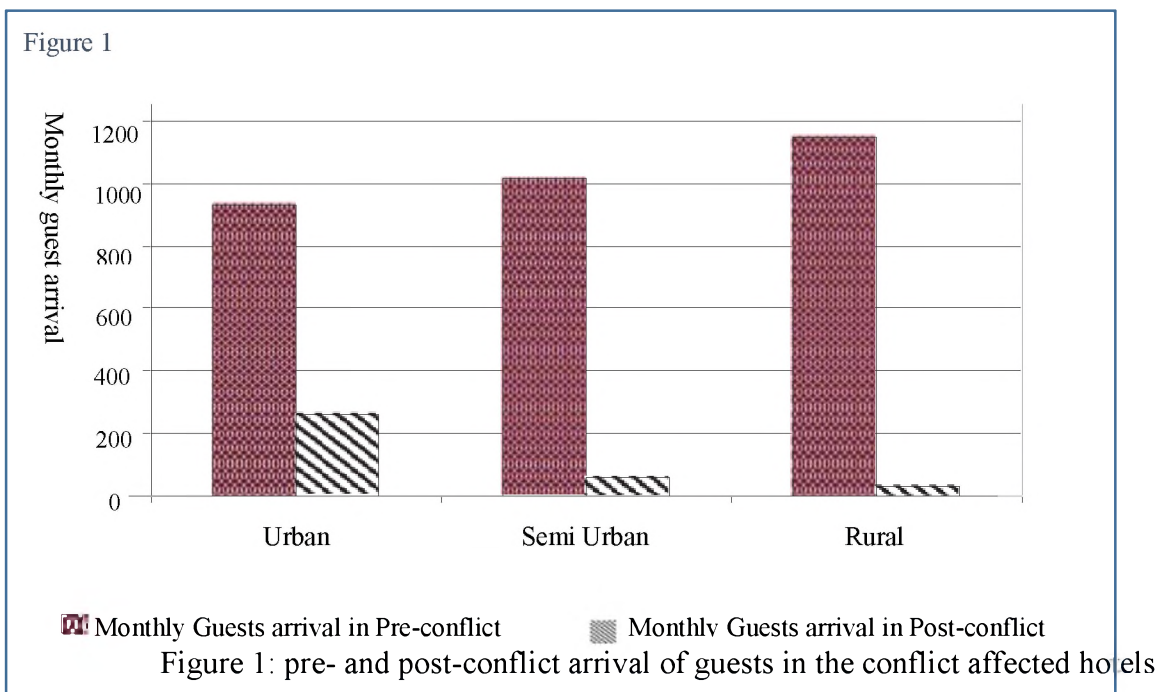
Note: values in the parenthesis are of Post conflict.

The evaluation further shows that the common room rate of rural hotels was 338.24 Rupees, in the pre-conflict period and after conflict 277.65 Rupees. The analysis additionally reveals that monthly revenue inside the pre- conflict is 360755 Rupees, while its miles dropped to 3677 Rupees, after the war for city hotels. In Semi urban hotels, monthly income before conflict was 736000 Rupees, declined to 9800 Rupees, after the war on terrorism. The monthly income of the rural hotels is 243176 Rupees, within the pre-war period, and its miles 5705.88 Rupees, after the conflict. The room price has been declined extra than a hundred percent in hotels located in semi urban area .Numbers of employees where affected due to conflict. Number of employees working in per hotel before conflict is 7.67, which reduced to 5.21 persons per hotel after conflict in case of city hotel. In case of semi city region the entire number of employees is 9.2 people in pre conflict and was reduced to 2.8 employees after conflict. In case of rural place, the situation of employment is also reduced from 9.65 workers to 4.35 workers in post conflict (Table 3). These outcomes guide the findings of different

studies, which evidenced that tourism sales are substantially decreased because of terrorism (Enders et. al, 1991).

4.5 Occupancy of rooms and guests arrival in pre and post conflict periods

The quantity of daily room's occupancy is decreased immensely within the hotels affected from conflict. The each day rooms occupancy were 87,96 and 88 percentage in pre- conflict, which decline to those were 28, 9 and 10 percentage in post conflict. More than 100 percentage discount happened in every day room's occupancy in all hotels taken as sample. Moreover, its miles obvious from Figure 1 that the variety of visitors (neighborhood and foreign) is also decreased in all pattern accommodations of the examine area.



Same type of findings had been reported at the impact of terrorism activities on tourism and the hotel occupancy charge in New York city because of the September 9/11 assault at the twin towers in 2001 (Washington Post, 2001). The drop rate in hotel occupancy prices have also been recorded in case of China as result of the crackdown on college students in Beijing in 1989 (Shen and gartner 1992, Hall and O,Sullivan, 1996 noted in Sonmez 1998). These

findings upload to the literature at the effect of terrorism on traveler choice to travel vacation spots. As Pizam and Smith (2000) stated that vacationers are much less in all likelihood to visit areas with extra threat of terrorism. Our findings strongly support this research and truly unveil the effect of terror battle conflict at the hotel occupancy and reluctance of travelers in the affected regions.

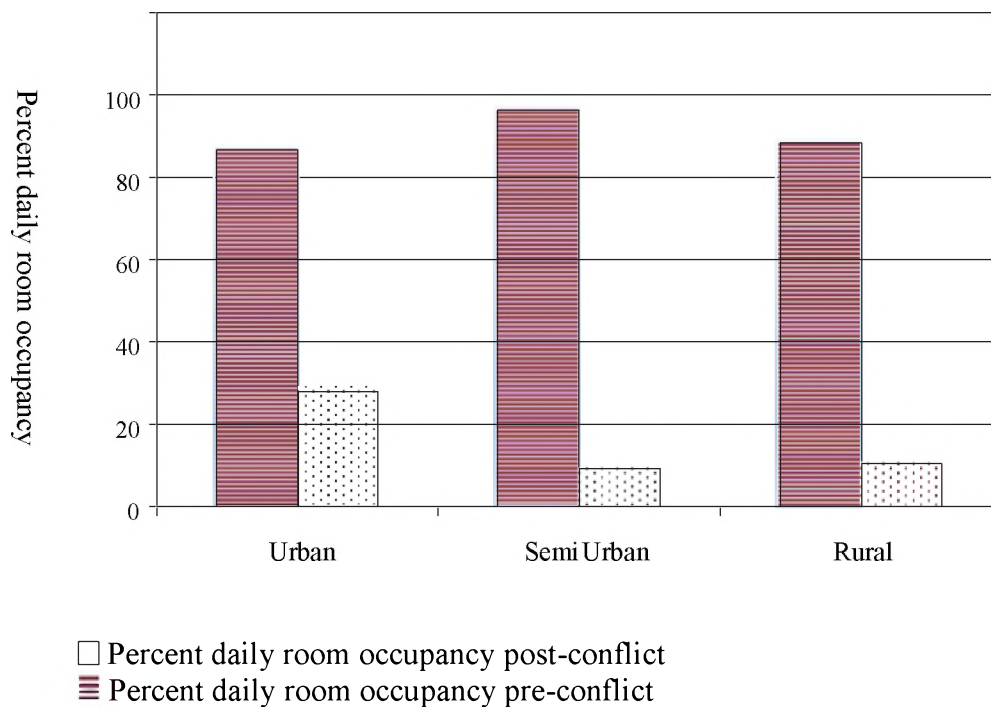


Figure 2: Percent every day room occupancy in pre and post conflict period

The comparing of results means through t- statistics are given in the table four. The significant t values of day by day rooms' occupancy, local and overseas tourist's arrival, monthly revenue of hotels and employment indicates that growing militancy and the following conflicts have enormous macro and micro economic effects in sample study.

Table 4: T-test for pre and post conflict assessment of room occupancy, employment and guest arrival

Variables' name	t- value
Daily Rooms Occupancy	10.68 *
Tourists Arrival	8.72*
Average monthly Revenue	1.85***
Room Price per night	0.63
Employment	5.81*

Note: it shows significance level at 1% and 10% respectively

Sources financing of loss restoration and rehabilitation

Hence, the information presents ok proof to specify that the conflict influences common day by day rooms' occupancy, neighborhood vacationers' arrival, foreign vacationers' arrival, monthly sales, and employment inside the observe area.

However, the insignificant t cost of room rate per night indicates that room fee isn't always affected due to the conflict. Tourism being a chief contributor within the economic system of Khyber Pakhtunkhwa province has suffered a major setback during the 2007 conflict.

To rejuvenate the devastated hotel enterprise is a challenge for the owners of hotels. The hotel enterprise has been badly affected throughout the conflict. After restarting their effected businesses in post conflict period, the respondents were asked to file their resources of financing for their business.

Table 5: Source of financing for reestablishment of hotel business

Source of Financing the Loss(Amount in Rs)	Area		
	Urban	Semi Urban	Rural
Savings	249731.7647	93500	28416.66667
Assets	7000	0	20000
Borrowing	112003.5	35000	56250
Remittances	40000	0	0
Loans	3000000	0	0
Others source	0	0	45000

Source: computed by researcher based on field survey.

The table displayed above shows that the principal sources of financing within the pattern location are loans, property and borrowing. It is identified that the majority of hotel in city vicinity have used loans to reestablish their lodge enterprise. The respondents in semi urban area said that they applied savings to reestablish their hotel enterprise. On the opposite, majority of the respondents in rural vicinity said a mixture three fundamental sources; saving, property and borrowing.

Chapter 5

Conclusion and policy recommendations

1.1 Conclusion

Tourism plays a very vital role in the development of economy. Pakistan, from the last few decades, remained one of the most vulnerable countries in the region as well as in the world. Due to its geo-strategic position and importance in the South-East region, Pakistan had faced with the daunting challenge of uprising militancy in the country. The government of Pakistan has a strong commitment to fight against armed militants groups to root out the growing militancy and terror to reduce its financial vulnerability. Findings of this study are very helpful for policy makers in the country to cope with the post conflict situation.

Tourism industry plays important role in developing countries like Pakistan. It is of greater importance due to its creation of employment opportunities and revenue generation ability, especially in the scenic and remote mountainous valleys of Khyber Pakhtunkhwa province. In 2007 outbreak of militancy has largely affected all sectors of the Pakistanis' economy including the tourism industry as well. Taking into consideration the tremendous importance of the tourism industry and its role in the economic growth of the communities dependent on revenues, generated from tourism the losses in revenues, tourists' arrival, occupancy and employment rate in the conflict affected hotels insights of great policy significance.

This research had empirically examined the negative impact of the conflict and militancy in the province of Khyber Pakhtunkhwa and the impact on the hotel business in the valley. The results indicate that growing militancy and armed conflicts had negatively affected the local hotel industry. Sample study shows a significant reduction widespread macro and micro economic consequences. The data provides sufficient evidence to justify that the conflict

affects average daily rooms' occupancy, arrival of local tourists' , arrival of foreign tourists', monthly revenue, and employment opportunities in the study area. Therefore it is concluded that the sample hotels in the study area have been greatly affected due to conflict. The results also indicate that most of the hotel owners in urban area utilized loans to overcome finances to their hotel business, in semi urban area mostly financed their losses by savings. Most of the hotel owners in rural area used three major sources for financing loss; assets saving and borrowing for the reestablishment of their hotel business.

Further it is concluded that the conflict engulfed the whole valley displacing nearly 3 million people from the area. During the era of the conflict huge losses occurred because of damages to buildings of hotel , crockery, electric appliances and losses of vehicle from the hotel. The worse conflict had serious economic implications for the hotel industry in Swat valley. The cost caused by the militancy and conflict has significantly affected the average daily rooms' occupancy, arrival of local and foreign tourists' average monthly revenue, and employment level in the study area. Keeping in consideration the results of the study, It is recommend that the government should give high priority to the tourism industry. Further, the local bodies and government should play their role in developing of roads infrastructure. Media had also to play a strong positive role in the promotion of the tourism industry. This has been found helpful in promotion of sustainable peace and security.

To establish communication infrastructure and tourism spot. There is a beautiful place in Kalam, Mahodan lakes, glaciers, lakes Paristan, daral lake these are Karam, but inadequate infrastructure cannot be left outside in a beautiful place. Because most of the roads, bridges, government gust houses were abolished by the flood and the army operation

Local governments are unsuccessful in these tourist attractions, because the solid waste is dumped into the river and destroy the SWAT water quality and the environment; there must be proper solid waste management, protection of aquatic life and the environment.

1.2 Recommendations

In the community, a variety of entertainment, tourism positive attitude in the region to local residents, the community spirit of local residents, community vitality and energy, economic development (2) the level of facilities and activities in the destination, which is composed of many factors, including the standard of living, the number of jobs (or employment levels) community, a variety of economic instruments in the region destinations accommodation (3) Price measured.

To overcome the power shortage, which load shedding problem, because the hotel has the same power supply UPS does not have any alternative source, generators, load shedding is actually a moral dilemma the Government must intervene in this serious problem and a small dam for the local people have 20 to 25 points of small dams, construction if the government will fully fill all the requirements of Malakand.

Whenever cultural programs arranged by the Government or any other night games so it will attract foreign tourists and travel to night games or arrange local tours of cultural exhibitions annually in the spring and summer, in order to make the cluster of tourists. Whenever, the government has to arrange the program pertinent to economic growth and development of the country and has a positive impact.

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