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Investing in The Buddhist Circuit

Enhancing the spiritual, environmental, social and economic value
of the places visited by the Buddha in Bihar and Uttar Pradesh, India

2014-2018

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Acknowledgments

This strategy was prepared with the help of the following:

Ministry of Tourism, Government of India

Mr. Parvez Dewan, Secretary
Mr. Sujit Banerjee, Secretary (past)
Mr. Girish Shankar, Additional Secretary
Mr. Anand Kumar, Joint Secretary
Mr. Anil Oraw, Assistant Director General
Dr. Anupama Kumar, Director (past)
Ms. Meenakshi Mehta, Deputy Director General
Ms. Neela Lad, Assistant Director General
Ms. Bharti Sharma, Director

Department of Tourism, Government of Uttar Pradesh

Mr. Sanjeev Saran, Secretary
Mr. Manoj Kumar Singh, Secretary (past)
Ms. A. Upadhyaya, Additional Secretary (past)
Mr. Shashank Vikram, Additional Secretary

Department of Tourism, Government of Bihar

Mr. B. Pradhan, Secretary
Mr. Deepak Kumar, Secretary (past)
Mr. Praveen Kishore, Director (past)

Others

Dr. B.R. Mani, Additional Director General, Archaeological Survey of India
Mr. Benoy Behl, film-maker, photographer and art-historian
Mr. Jae Sang Lee, Director, Korean National Tourism Organisation (India Office)
Kiran Lama, Secretary, International Buddhist council, (Bodh Gaya)
Mr. N. Dorjee, Member-Secretary, Bodhgaya Temple Management Committee
Mr. R.K. Safaya, Chief Architect, HUDCO
Dr Ravindra Panth, Director, Nava Nalanda Mahavihara

Private Sector Working Group

Mr. Alope Singh, General Manager (Revenue Management and Pricing), Air India
Mr. Amit Prasad, Director, Go India Journeys, LPTI

Mr. Arjun Sharma, Vice Chairman, PATA India Chapter and Managing Director, Le Passage to India Tours and Travels (LPTI)
Mr Arup Sen, Executive Director, Cox and Kings
Mr. GR Zaidi, MD, Nationwide Travels
Ms. Gunjan Mubayi, Senior Manager (Sales and Marketing), Air India
Mr Homai Mistry, Managing Director, Trail Blazer Tours
Dr. Jyotsna Suri, Chairperson-FICCI National Tourism Committee and Chairperson-The Lalit Group
Mr. Lajpat Rai (Specialist Buddhist Circuit Tour Operator), Chairman and Managing Director, Lotus Trans Travels
Mr MD Kapoor, Secretary General, Federation of Hotel and Restaurant Associations of India
Mr. N.K. Sharma, M.D. (Specialist Buddhist Circuit Tour Operator), Inpac Tours and Travels
Mr. R.K. Mathur (Specialist Buddhist Circuit Tour Operator), Managing Director, Top Travels and Tours
Mr Rajeev Kohli, Joint Managing Director, Creative Travel
Mr. Ramesh Punjabi, Joint Managing Director, LPTI
Mr Sanjay Goel, Group General Manager (Tourism), Indian Railway Catering and Tourism Corporation Ltd. (IRCTC)
Mr Sarabjit Singh, President, Indian Tourist Transporters Association
Mr. Subhash Goyal, President, The Indian Association of Tour Operators (IATO)
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Mr. Vijay Thakur, President, IATO (past)
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Aatish Jain, Team Assistant



Context

Overview

India is one of the world's great reservoirs of history, cultures, philosophies and religions. Global interest to visit and experience these assets puts India amongst the most desired destinations for tourists and pilgrims. The Buddhist Circuit is a route that follows in the footsteps of the Buddha from Lumbini in Nepal where he was born, through Bihar in India where he attained enlightenment, to Sarnath and Kushinagar in Uttar Pradesh in India, where he gave his first teachings and died. This iconic route only includes places where the Buddha actually spent time, and these sites – all of which are over 2500 years old – are among the most significant and revered for all Buddhists. The Buddhist Circuit is an important pilgrimage destination for the 450 million practicing Buddhists as well as travelers interested in history, culture or religion.

Investing in the Buddhist Circuit is the result of first-time collaboration between the Government of India's Ministry of Tourism, the State Governments of Bihar and Uttar Pradesh, the private sector, Buddhist monasteries and sects, and the World Bank Group. The work was led by the International Finance Corporation (IFC), a member of the World Bank Group.

Extensive on-the-ground data collection, consultations and analysis were conducted. The outcome is a framework for public and private sector investment that secures and enhances the experience of the sites while unleashing the full job creation potential of tourist spending at the towns and sites, and along the Buddhist Circuit. The most important places are:

- Lumbini (in Nepal) – where he was born.
- Bodhgaya (in Bihar) – where he attained enlightenment under the Bodhi Tree.
- Sarnath (in Uttar Pradesh) – where he delivered his first sermon.
- Nalanda and Rajgir (in Bihar) – where he lived and taught, and Nalanda, in particular, became the center of Buddhist learning and teaching.



Great Buddha statue, Bodhi Gaya, Bihar, India

- Kushinagar (in Uttar Pradesh) – where he died.
- Kapilavastu (on India Nepal Border) – Kapilavastu is deeply endowed with the Buddha's origins. It is believed that Buddha spent his first early years here before embarking on the long journey to enlightenment.
- Vaishali (in Bihar)– Buddha's last sermon delivered.
- Sravasti (in Uttar Pradesh) – Buddha spent twenty four rainy seasons here at the Jetavan monastery, built by his disciple Sudatta Anathapindika.
- Kausambi (in Uttar Pradesh) – Buddha is believed to have stayed and preached at Kausambi.

Figure 1: Key destinations on the Buddhist Circuit



Since the *Action Plan for the Development of the Buddhist Circuit* was launched in 1986, there have been fragmented efforts to develop and promote the Buddhist Circuit as a mainstream tourism product. Various tourism master plans, investment projects by the states and the Government of India, and donors have targeted this important historic and living heritage.

The rationale for investing in the Buddhist Circuit is to improve the experience of visiting these sites and link that to the potential of tourism to deliver sustainable and inclusive economic growth through job creation and income generation opportunities for micro and small enterprises and by growing a related tax base. Experience in other parts of the world demonstrates that tourism benefits reach deep into local households. For India, and especially Bihar and Uttar Pradesh – two of India's most populous states – accessing these benefits is vital for growth.

While monks and devotees visiting sites along the Buddhist Circuit are doing so for pilgrimage, the experience for most tourists lacks interpretation and is low in quality. Destinations along the Buddhist Circuit need to transform into interpretive and learning contact points, which in turn will stimulate demand, promote longer stays, and generate a desire to visit other sites and lead to growth in goods and service providers. There is scope to enhance the visitor experience beyond trips to monuments and temples; however, this requires specific interventions in planning, skills development, market access, and access to finance. The strategy outlined in this document seeks to grow the economic impact of tourism along the Buddhist Circuit by attracting higher-spending tourists and linking them to local goods and service providers. This strategy recognizes that both public and private sector investment is required to drive demand and improve quality of experience while respecting, preserving, and enhancing the religious value and significance of the sites.

Diagnostic Approach

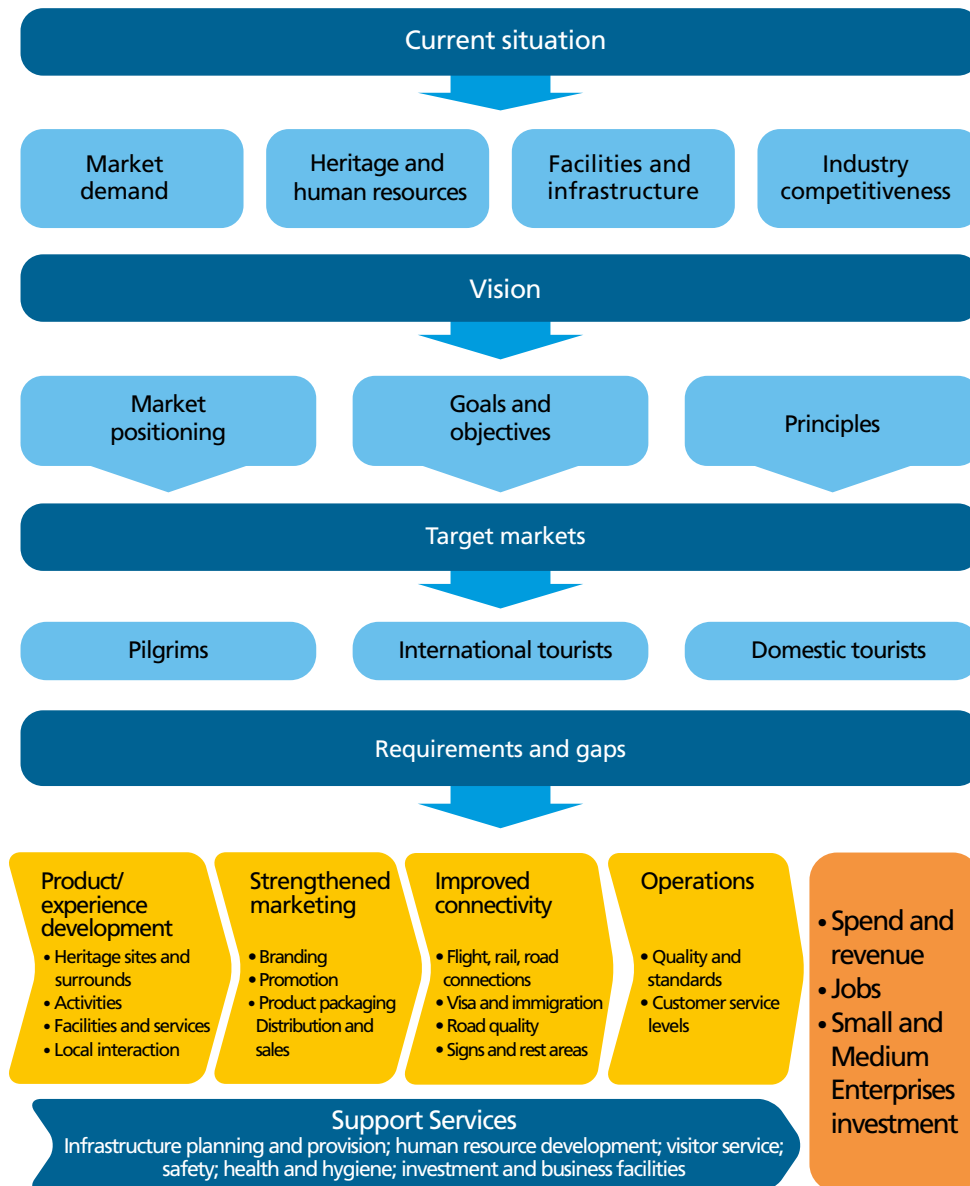
The diagnostic approach outlined in Figure 2 is based on global best practices and principles for destination development. The process starts with an analysis of the current tourism situation, a vision for a desired future, demand assessment, and an analysis of the gaps that need to be filled and the challenges faced to progress the vision. The following activities were carried out to inform this document:



Vishwa Shanti Stupa, Rajgir, Bihar, India

- A Visitor Motivation and Expenditure Survey conducted in 2012 from a sample of 2,500 visitors at all major Buddhist Circuit sites.
- A comprehensive analysis of legal and regulatory challenges and constraints.
- Site visits and interviews with public and private stakeholders.
- The establishment of and regular consultations and validation with a public private Buddhist Circuit Steering Committee.
- Identification and documentation of potential catalytic projects.
- Review of all existing reports and plans.

Figure 2: Outline of strategy development process and elements



Summary and Analysis of the Current Situation

The major strengths of the Buddhist Circuit are:

It is “known” to Buddhists

- Already well-established as a major pilgrimage route
- A global market of 450 million Buddhists
- All countries with strong Buddhist cultures have monasteries on the circuit
- The importance of the Buddhist Circuit makes it attractive to non-Buddhists



Maha Parinirvana temple and stupa, Kushinagar, Uttar Pradesh, India

Well-preserved Buddhist sites and Buddhist artifacts

- Stupas and temples date back over 2000 years
- There are high quality relics in museums in Sarnath, Bodhgaya, and Patna^[1]
- We have the actual corporal relic casket of the Buddha in Patna and other relics found in the relic stupa of Vaishali

Already established facilities for pilgrims and tourists

- Tour operators provide a range of pilgrimage packages
- There are a range of accommodation options from monasteries up to 3-star hotels

Within reach of major destinations in Northern India

- The circuit is connected by road, rail and air to Agra, Delhi and Varanasi



Jeta Vana, Sravasti, Uttar Pradesh, India

[1] One of the best collection of Buddhist artefacts anywhere in the world..Only second to the Indian National museum in Kolkata and Superior to the National museum in Delhi.

The major weaknesses identified are:

Limited brand recognition and market reach

- Generally known among the communities linked to the monasteries, but limited awareness in the wider global Buddhist community and even less awareness among non-Buddhist tourists and independent travelers to India
- Sold mostly by specialist Buddhist Circuit operators and not by the general tour operator community
- No clear brand identity – fragmented among private and public-sector role-players
- Very limited online marketing
- High seasonality linked to weather conditions as most pilgrims/tourists come during the more pleasant cooler season
- Low standard of tourist-related services and products
- No accommodation facilities above 3-star level (only a total 300 3-star rooms across the circuit)
- Limited tourist-quality restaurants, coffee shops, shopping, and services
- Limited multi-lingual guided and visitor interaction
- Lack of land for new developments
- Few amenities such as picnic and recreation areas for day visitors and tourist relaxation
- Limited opportunities to shop for authentic local arts, crafts and other goods
- Restricted opening times of attractions such as museums, public parks, etc.
- Lack of evening entertainment: lectures, talks, films on Buddhist related topics
- Limited tourist activities beyond Buddhist sites. For instance, hiking Buddha trails, picnic places, nature engagement, cultural and village experiences, mind-body-spirit programs, archaeology and geomorphology, agro-tourism, and adventure
- Limited tours and activity packages beyond pilgrimages

Limited interpretation and uncreative exhibition of circuit history and story line

- Museums display relics but offer limited interpretation of the rich heritage behind them
- Limited involvement of global Buddhist community in site enhancement and operations (only in Bodhgaya through the Temple Management Committee)
- Unsatisfactory public infrastructure and facilities at sites
- Destinations generally not planned to allow for large visitor flows, with limited pedestrian access, and few visitor spaces
- Limited seating, shade, meditation areas, etc.
- Restrooms of poor standard
- Tourist information centers poorly managed

Road and rail infrastructure and services limited

- Road quality poor in many places making travel arduous, time-consuming, and, often, dangerous
- Lack of wayside amenities exacerbate discomfort over long travel distances and times
- Inconvenient rail schedules between sites.
- Few opportunities to engage with local community
- Few operators offer community interactive experiences
- Local community organisations, monasteries, local bodies and other government authorities seldom engaged in joint planning and partnerships
- Limited local awareness and understanding of benefits and responsibilities associated with tourism growth

The opportunities are:

Tapping into unexplored and underdeveloped markets and segments

- Potential to attract the large Buddhist population from nearby Asian countries – year on year only 0.005% of source market Buddhists visit the Buddhist Circuit
- Location allows for mainstreaming the Buddhist Circuit as an extension to northern India foreign tourist circuit
- Potential to provide rail and road access and transport to the growing independent travel market
- Attracting tourists with special prices and events during shoulder season could expand market share.

Increased tourism investment and business prospects

- As market grows investment opportunities will increase for higher quality hotels, restaurants, and wellness resorts
- Packaging the Buddhist Circuit “story” and heritage more creatively will facilitate accelerated growth and tour operating opportunities.

Creating local jobs and incomes

- Offering experiences beyond pilgrimage sites
- Developing local supply chains and income generating opportunities through tourism
- Developing unique local shopping opportunities for arts, handicrafts, food, and clothing.

Demonstration effect

- This project is a first-time collaboration across states, multiple state government levels and with the Union government; there are valuable lessons for improving the delivery model for Indian government resources

Threats to the Buddhist Circuit are:

Destruction and pollution of Buddhist heritage

- Population pressures and competition for resources may lead to encroachment of Buddhist sites
- Traffic congestion around sites potentially hazardous
- Air pollution may damage ancient relics (this is already happening in some places)
- Destruction of relics and sites due to a lack of awareness and sensitivity towards fragility of ancient sites

Conflict of traditions and practices

- Buddhist sites set in Hindu and Muslim dominated communities may dilute Buddhist character and experience
- Lack of understanding among locals and pilgrims of respective lifestyles, needs, and traditions may cause insensitivity and conflict

Compromised visitor safety

- Hazardous road conditions may compromise transportation safety of tourists
- Lack of hygiene and poor food safety standards may threaten visitor health and taint the circuit's brand.

Overlapping government mandates result in inaction

- There are multiple government agencies at village, municipal, district, state and federal with unclear and in some cases overlapping mandates over sites on the Buddhist Circuit, aspects of connectivity, infrastructure development and market development; this threatens the viability of collective actions that might contribute to the transformation envisaged by stakeholders

The Statue Buddha, Dungeshwari Hill, Gaya, Bihar, India.



Growth Strategy 2014-2018

Based on the situation analysis the following are the foundations to develop and grow tourism in the circuit over the next five years.

Vision

The Buddhist Circuit is transformed from a collection of sites to a holistic tourism experience that appeals to various traveler segments from which revenues and jobs generated make a measurable contribution to improving quality of local life.

Note: The concept "tourism experience" encompasses both religious travel for devout Buddhists and non-Buddhists interested in Buddhist heritage and related aspects such as meditation and healthy living.

Strategic goals (enablers)

- Public investment of Indian rupees 500 crore (\$100 million) in infrastructure and site improvements from 2014 to 2018
- Private sector investment of Indian rupees 500 crore (\$100 million) from 2014 to 2018

Areas for investment			
Products	Connectivity	Collaboration	Promotion
<ul style="list-style-type: none"> • Improve public spaces, attractions, facilities, and infrastructure. • Facilitate and promote private investment in hospitality and tourism facilities. • Support conservation, preservation, and interpretation of the Buddhist heritage. • Develop new experiences and attractions along the circuit. • Promote and apply appropriate quality standards in tourism services and facilities. • Promote local participation, skills development, tourism awareness, and entrepreneurship. 	<ul style="list-style-type: none"> • Identify infrastructure gaps and needs and mobilize action. • Improve roadside visitor amenities. • Leverage existing rail, bus, and other transport services to improve connectivity on the circuit. • Promote regular and convenient air access. 	<ul style="list-style-type: none"> • Establish personnel and financial capacity to implement the Buddhist Circuit investment strategy. • Ensure regular communication with all stakeholders on actions and progress. • Track visitor trends and performance. • Initiate additional funding partnerships. • Establish and manage a database of products, facilities, and services. 	<ul style="list-style-type: none"> • Establish and promote a spiritual tourism brand focused on the Buddhist Circuit. • Promote destinations and smaller "circuits" through publicity, advertising, exhibitions, partnerships with the travel trade and religious bodies, e-marketing, etc. • Publish and distribute information at appropriate locations and through various channels. • Initiate and coordinate events and festivals, especially with Buddhist source market countries.

Performance objectives

The success of the strategy will be measured in the success of the following performance objectives:

- Growth in target visitor segments (to be decided) to key destinations/sites on the circuit.
- An average 20 percent growth in accommodation occupancy levels in Bodhgaya, Rajgir, Sarnath, and Kushinagar.
- Fifty percent growth in tourism revenues and visitor expenditures at target destinations/sites.
- One thousand new tourism-related jobs created at target destinations.
- Two thousand individuals trained in tourism-related service.
- Indian rupees 500 crore (\$100 million) in public investment in infrastructure and site improvements from 2014 to 2018.
- Indian rupees 500 crore (\$100 million) in new private sector investment along the Buddhist Circuit from 2014 to 2018.

Positioning and branding

Expanding tourism along the circuit involves occupying, promoting, and developing a market position that appeals to a spectrum of potential visitors and capitalizes on the variety of resources and assets offered in the area.

Selling proposition

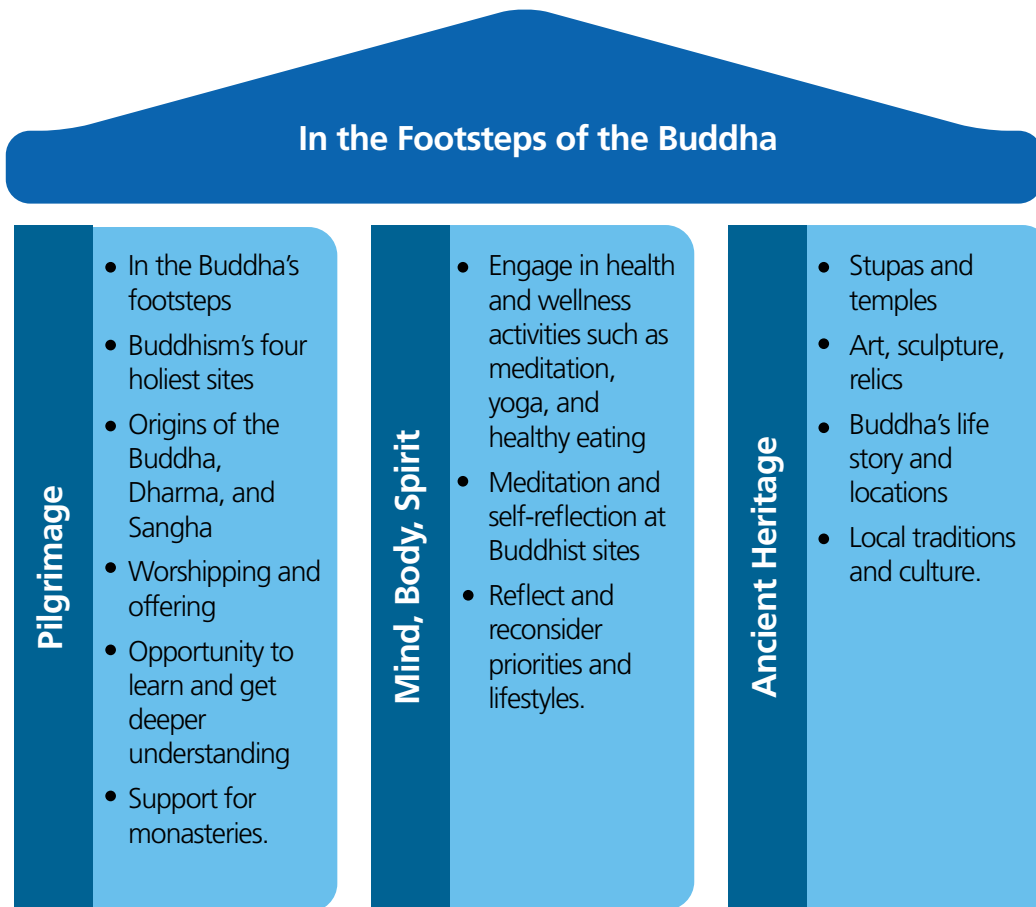
The following three experience pillars contribute to a unique market positioning and selling proposition for the circuit:

- ***Pilgrimage:*** The religious significance and holiness of the area for Buddhists, given that the Buddha spent his entire life here and that the Dharma and the Sangha originated here, and that the Buddha suggested his disciples both lay and monastic to visit the places associated with his life.
- ***Ancient heritage:*** Many of the circuit sites and relics date back as far as 300 BC and the location of the circuit in and around the historic Ganges Valley provides for an exceptional experience of ancient history, traditions, and architecture. Many of these ancient places compliment the spiritual experience and showcase India's diverse cultural and heritage tourism offering.
- ***Mind, body, spirit:*** The character, ambience, and history of the sites and the traditions of Buddhist communities on the circuit offer Buddhists and non-Buddhists the perfect environment to engage in healthy, therapeutic practices like meditation and self-reflection, yoga and other exercises, and healthy eating.

These three pillars (figure 3) can be summarized in a selling proposition as:

“In the Footsteps of the Buddha”

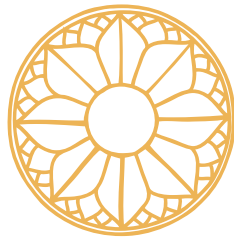
Figure 3: Proposed positioning pillars and overall positioning statement of the Buddhist Circuit



Brand

The following elements can be used to communicate the Buddhist Circuit brand:

- The term “Buddhist Circuit” is already a well-established name for the route and should be retained as a brand name. Variations of the name such as Buddha’s Path, Buddha’s Way, and Buddha’s Route could be used for a web domain should www.buddhistcircuit.org be unavailable.
- The logo can be used as a stamp of recognition of the brand, to mark and signpost the circuit and to endorse products and services affiliated to the circuit.
- The proposed logo design is a rendering of the lotus flower, one of the most recognized symbols of Buddhism accompanied by the “Buddhist Circuit” wording. The following versions could be considered to brand the circuit:
- The logo can be used by and on behalf of all public and private sector stakeholders:



IN THE FOOTSTEPS OF THE BUDDHA

- As a common identity on printed and electronic promotional materials used to market the circuit. The logo can be complimented by suitable “look and feel” design imagery, based on a standardized colour palette.
- As a mark of affiliation for all businesses, attractions, monasteries, non-government organizations, and other stakeholders.
- As a trail and route marker to indicate attractions, sites, routes, and destinations that are part of the circuit.
- The logo and graphic design can be complemented by suitable photographic and artistic imagery that supports the market positioning of:
 - Pilgrimage (pilgrims patronising the circuit, stupas, and temples)
 - Mind, body, and spirit (meditation, yoga, and reflection)
 - Heritage (relics, ancient sites, journeys of Bodhisattvas, Xuan Zang).

Target markets

While the circuit is patronized almost exclusively by Buddhist pilgrims, their numbers are limited in relation to the large numbers of Buddhists globally. Also, the majority of pilgrims are relatively low spending travelers. Non-Buddhist travel on the circuit has been very limited when compared to overall leisure travel to India. Current non-Buddhist travel is primarily of a backpacking, budget nature.

The majority of visitors to the circuit are of the following four types:

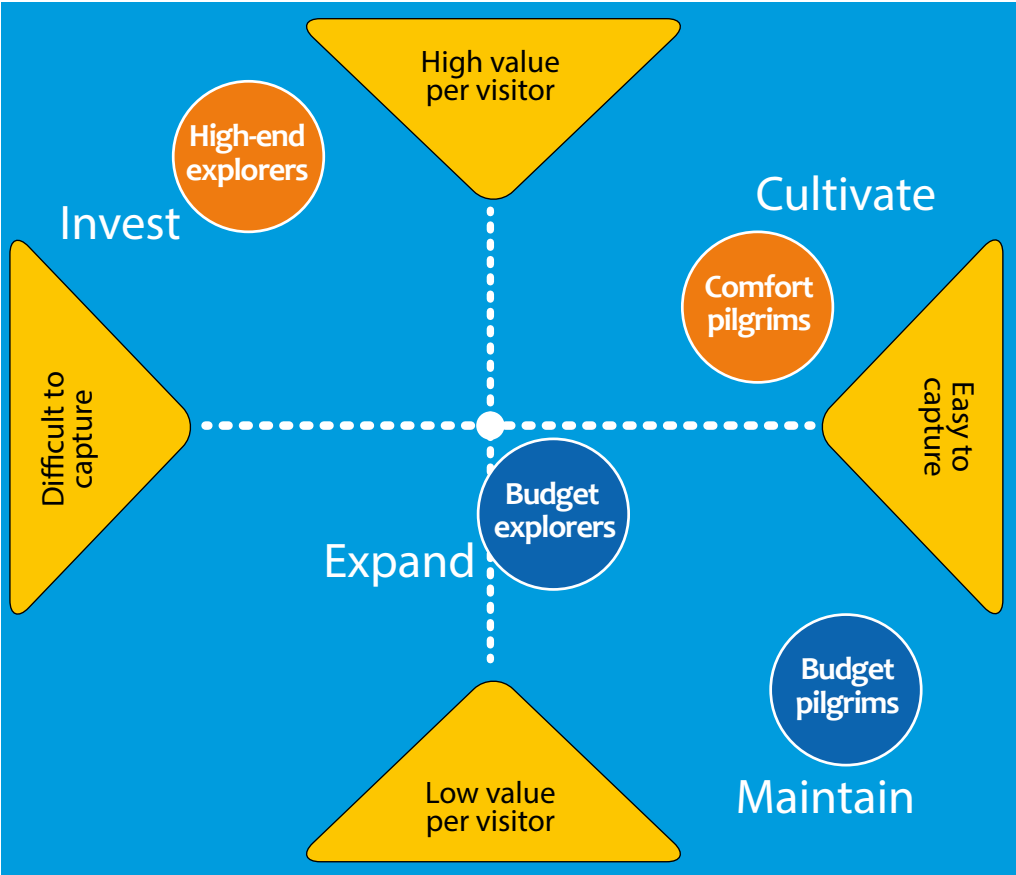
- **Budget pilgrims:** Devout Buddhists committed to visiting all sacred sites where the Buddha was born, became enlightened, taught, and died. This segment travels under tight budgets and prefers basic, simple facilities and services. They mostly travel in large groups by road and sometimes by train.
- **Comfort pilgrims:** Devout Buddhists committed to visiting the full circuit or at least part of it, especially the four most sacred sites of Buddha's birth (Lumbini), enlightenment (Bodhgaya), first sermon (Sarnath) and death (Kushinagar). The segment requires greater travel comfort and often travels on tighter time frames than budget pilgrims. They travel in both large and smaller parties and often prefer to travel more independently than the budget pilgrims.
- **Budget explorers:** Non-Buddhists on a backpacking, independent budget trip or domestic family holiday in northern India. They visit a few of the circuit sites as a quick-visit component of a wider itinerary, or they could make the circuit an important component of their itinerary and spend a substantial portion of their itinerary here.
- **High-end explorers:** Includes high to medium-end foreign packaged tourists and independent "flashpackers" on a wider India itinerary, as well as domestic leisure travelers on a holiday break. They mostly visit a few selected sites on the circuit (for instance, Sarnath, Bodhgaya, and/or Rajgir/Nalanda) and require comfortable and good-quality facilities, services, shopping, and recreation.

Table 1: Target market profiles

Segment	Source markets	Product features	Marketing channels
Budget pilgrims	Sri Lanka, Thailand, Cambodia, Himalayan Buddhists, Myanmar, Laos, Vietnam, Bhutan, Refugees from Tibet	<ul style="list-style-type: none"> • Following in the footsteps of the Buddha - holy sites in good condition • Basic accommodation facilities (tourist class to 2-star) • Clean and well maintained wayside amenities 	<ul style="list-style-type: none"> • Monasteries and religious bodies • Indian ground handlers and accommodation operators • Outbound pilgrimage operators in source countries
Comfort pilgrims	Japan, Korea, Taiwan, Singapore, China, Myanmar, Thailand, Malaysia, Indonesia	<ul style="list-style-type: none"> • Footsteps of the Buddha – an interactive pilgrimage on the Buddhist Circuit • Ease of access and movement along the route • A deep learning and interpreted experience • High-quality guiding and interpretation • Interesting Buddhist activities • Suitable, but not extravagant, quality and convenient services • Clean environment and aesthetic conditions • Opportunities to spend on local food, crafts, and shopping 	<ul style="list-style-type: none"> • Monasteries and religious bodies • Indian ground handlers and accommodation operators • Outbound pilgrimage operators in source countries • Online information and transactions
Budget explorers	Domestic Indian travelers, UK, Germany, France, the Benelux, South East Asia, Australia	<ul style="list-style-type: none"> • An adventurous journey through the spiritual heartland of India – Hindu and Buddhist history and heritage dating back over 2,000 years • Independent backpacking and family holiday; culture and contact with locals • Reliable public transport • Experiencing historical and religious sites first-hand. Interesting general activities and relaxation (museums, ropeways, trails, peaceful relaxation, and meditation) • Affordable eating and Interesting social experiences • Mind-body-spirit activities 	<ul style="list-style-type: none"> • Online information and booking systems • Youth and backpacker travel agencies and operators in source countries • Inbound agencies and ground handlers
High-end explorers	North America, UK, Germany, France, China, Japan, Australia, South Africa, Brazil	<ul style="list-style-type: none"> • An adventurous journey through the spiritual heartland of India – Hindu and Buddhist history and heritage dating back over 2,000 years • Visual and physical contact with impressive Buddhist sites • Easy access and movement along the route • Overview learning and basic, “edutaining” interpretation • Mind-body-spirit activities • Interesting general activities and relaxation (museums, ropeways, trails, peaceful relaxation, and meditation) • Good quality and convenient hotels and services with added value such as spa and wellness • Clean environment and aesthetic conditions • Opportunities to spend on local food, crafts, and shopping 	<ul style="list-style-type: none"> • International tour operators and travel agencies • Inbound agencies and ground handlers • Online information and booking systems

Figure 4 provides an evaluation of four potential market segments, based on (1) the purpose of visit and (2) their revenue earning potential level.

Figure 4: Target market segments and strategies



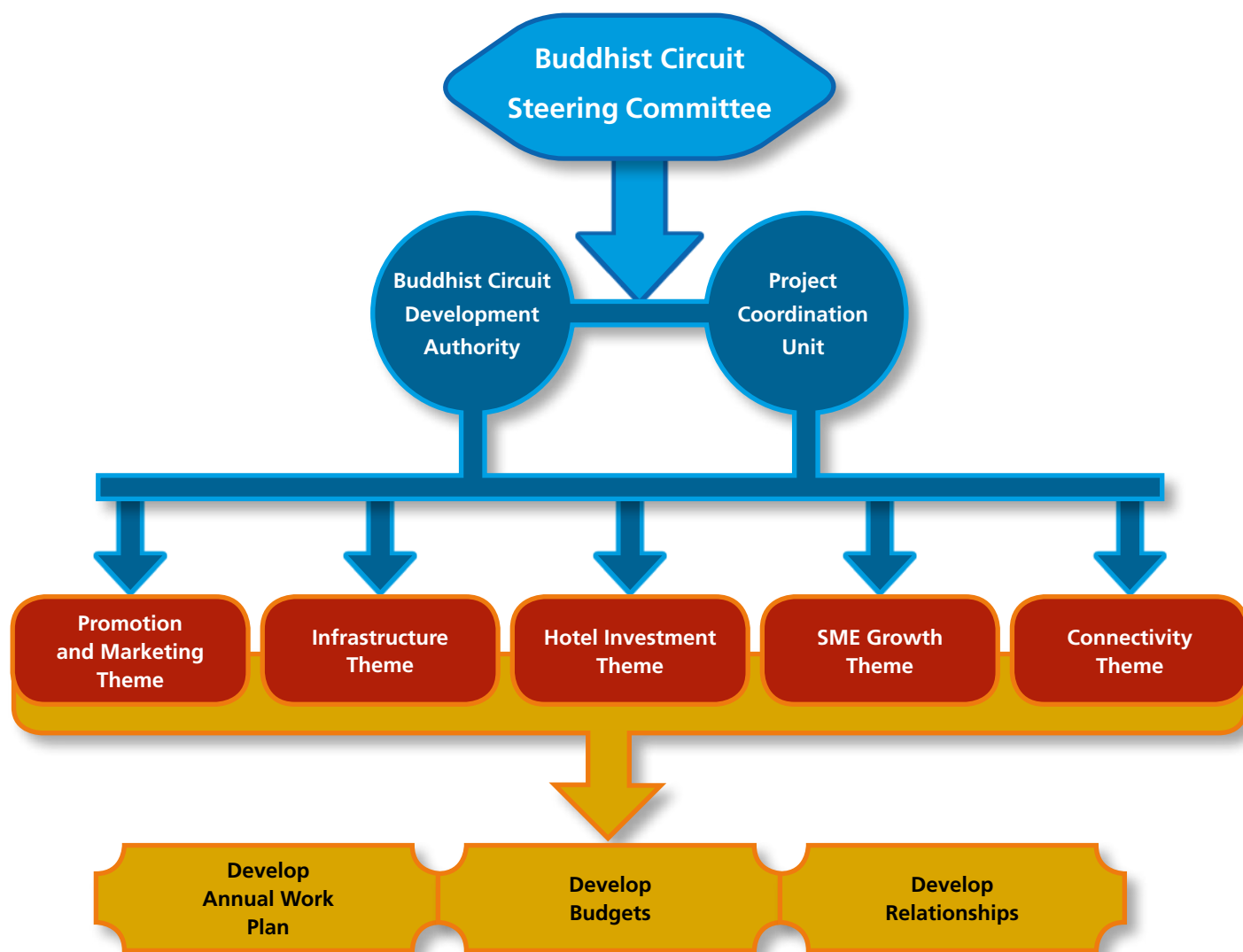
This analysis reveals four potential growth strategies for these market segments. This is displayed in table 2.

Table 2: Target market strategies

Segment	Strategy
High-end explorers <i>(High visitor value; difficult to capture)</i>	<p>Invest by developing a wider range and higher quality of products, facilities, infrastructure, and aggressive promotion.</p> <p>These are wealthy local and international tourists. Very few visit the circuit, as is evidenced by the lack of higher-quality tourist facilities. The circuit could be added to itineraries of higher spending travelers to other parts of Uttar Pradesh, Bihar and neighboring areas; however this will require significant investment in suitable infrastructure, attractions, and facilities.</p>
Comfort pilgrims <i>(High visitor value; difficult to capture)</i>	<p>Cultivate by improving current products, facilities, infrastructure, and promotion.</p> <p>These are wealthier Buddhist pilgrims who may or may not have the time to travel the entire circuit, who would prefer better quality hospitality facilities and services, and who are able to spend more than the average pilgrim on local goods and services. While there is already a significant demand by this segment as is demonstrated by the growth in 3-star accommodation in Bodhgaya and other locations, the higher end of the segment remains largely untapped. Since the motivation to visit the circuit should be high it should be possible to attract these travelers to the circuit in the shorter term. Expansion of this segment will require improvement in quality of services and facilities over the short to medium term.</p>
Budget explorers <i>(average visitor value, moderate effort to capture)</i>	<p>Expand by stepping up promotion and improved packaging of existing products, facilities, and infrastructure.</p> <p>These are bona-fide domestic and international tourists with average to low tourism expenditure (mostly back-packing), who visit the main points on the circuit for non-pilgrimage purposes. There is already a significant demand from this segment and, as an early adopter or frontier segment, the immediate growth potential and return on investment of this segment could be substantial.</p>
Budget pilgrims <i>(Low visitor value, easy to capture)</i>	<p>Maintain by providing basic services, facilities, and infrastructure.</p> <p>These are Buddhist pilgrims with limited budgets on the circuit, staying at budget accommodations and monasteries. They generally travel in large groups over extended distances on the entire circuit and require good wayside facilities and basic public amenities. The segment is currently the “bread and butter” of tourism on the circuit. Basic improvements are required in various facilities that they avail.</p>

Proposed Institutional Arrangements

Figure 5: Proposed institutional framework



Steering Committee – High level decision making body composed of Tourism Secretaries, IFC, 2 Private Sector representatives and a Buddhist expert.

Project Coordination Unit – Implementation unit for the project – to be funded out of project funds. This unit will be responsible for delivering on work plans of the thematic units.

Thematic Units – The thematic groups will be stakeholder clusters that work with the PCU. Their mandate will be to help design “implementable” annual work plans.

Conclusion

This document provides an integrated framework to fast-track tourism growth on the circuit by focusing on critical challenges and opportunities along the destination value chain.

It should serve as a guiding framework for investment in tourism development on the circuit over the next five years. Its success will depend on:

The strategy being adopted as the official strategic framework for tourism development on the circuit by public sector tourism authorities, relevant departments and ministries, the private sector, the religious community, and other interested and affected parties.

Adequate finances being made available by the government of India, the state governments of Bihar and Uttar Pradesh, and other financing partners.

Adequate institutional and human capacity being allocated to implement the strategy.

Further specialized studies and detailed plans being conducted in support of key projects identified in the strategy

The strategy being regarded and treated as a flexible, guiding framework that should be continuously adapted and updated.

Effective measurement and evaluation systems being implemented to monitor success and impact.



Ancient Nalanda University, Nalanda, Bihar, India



Annexures

Current Tourism Situation

This section takes stock of current trends in tourism demand, resources and products, access, supportive facilities, and organizational capacity on the Circuit.

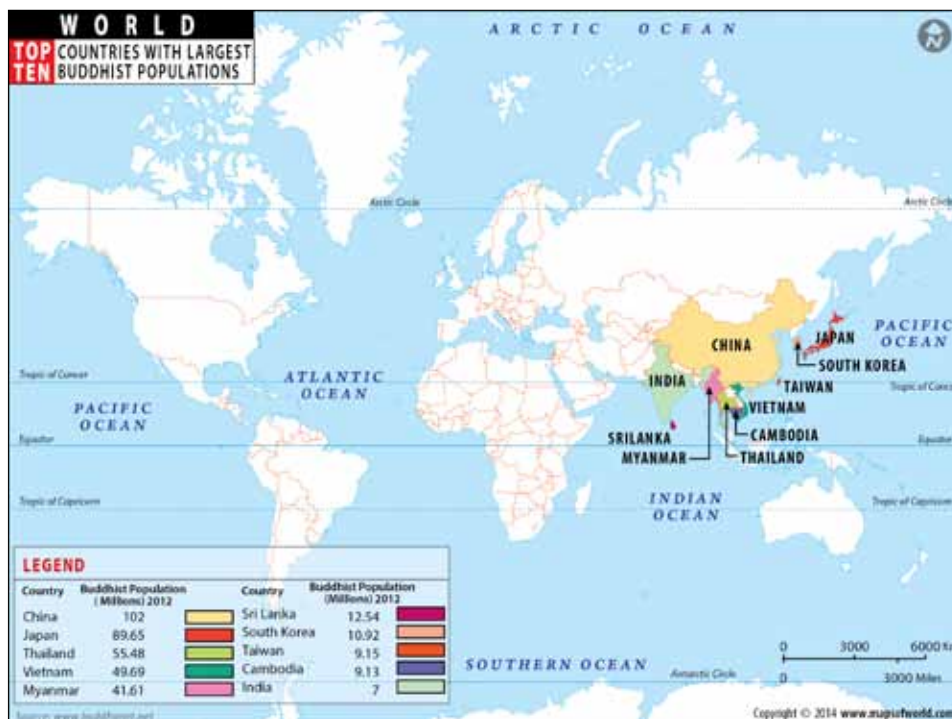
Tourism demand

Buddhist source markets

There are about 450 to 480 million Buddhists across the world^[1]. They practice different branches of Buddhism:

- Mahayana Buddhism, including East Asian Buddhism, with 185 million followers. This is the predominant form of Buddhism practiced in China, South Korea, Japan, Taiwan, Singapore, and Vietnam.
- Theravada Buddhism, with over 125 million followers, is the form of Buddhism predominantly practiced in Cambodia, Thailand, Laos P.D.R., Sri Lanka, Myanmar and India.
- Vajrayana Buddhism has approximately 20 million followers. This form is practiced in the greater Tibetan and Mongolian regions, the Himalayas, Bhutan, parts of western China, the Russian Federation, and Nepal.

Figure 6: Buddhist countries of the world ^[2]



[1] <http://www.pewforum.org/2012/12/18/global-religious-landscape-buddhist/>

[2] <http://www.mapsofworld.com/world-top-ten/> (from www.buddhanet.net)

At least eight countries (Sri Lanka, Thailand, Cambodia, Laos P.D.R., Myanmar, Bhutan, Mongolia and Vietnam) have unambiguous Buddhist majorities. Depending on how one calculates Chinese and other East Asian adherents, this figure could include several more countries. In addition, Buddhism is the state religion of Cambodia and Bhutan, and receives prominent mention in the constitutions of Thailand and Sri Lanka. The religion severely declined during the first millennium in northern India and Nepal, where Buddhism was born.

Table 3 compares foreign tourist arrivals in India from Buddhist countries with total tourist arrival for 2009 to 2011. The following trends emerge:

- Arrivals from Buddhist countries comprised more than 18 percent of total foreign tourist arrivals to India in 2011. The growth in arrivals from Buddhist countries in 2011 was substantially higher than the overall growth in arrivals.
- Whereas shares of total arrivals of some Buddhist countries like Sri Lanka (4.9 percent), Thailand (1.5 percent), China (2.3 percent), Japan (3.1 percent) and South Korea (1.7 percent) were significant, countries like Myanmar, Vietnam, and Taiwan had limited market shares.

India has only scratched the surface in attracting a meaningful share of religious Buddhist travelers. Arrivals to India from Buddhist dominated countries comprised a mere 0.005 percent of all Buddhist adherents. Since the Buddhist Circuit is the area where Buddhism originated and where the Buddha lived, the potential for Buddhist tourism expansion is enormous.

Table 3: Tourist arrivals in India by main tourist source regions and Buddhist countries, 2009-2011

Region/ country	Number of Arrivals			Percent share of arrivals	Percent growth	Estimated Buddhist population ^[3]	Percent Buddhists in total population
	2009	2010	2011				
North America	1,051,209	1,173,664	1,239,705	19.65	5.6	7,241,845	1.6
South America	46,604	62,728	60,988	0.97	-2.8	651,248	0.3
Western Europe	1,634,042	1,750,342	1,838,695	29.14	5	64,666,457	5.3
Eastern Europe	183,475	227,650	274,598	4.35	20.6	387,165	1.8
Africa	164,474	204,525	232,386	3.68	13.6	157,581	0.1
West Asia	204,843	235,317	278,773	4.42	18.5	3,464,305	1.6
South Asia	1,001,401	1,047,444	1,139,659	18.06	8.8	38,997,284	2.6
Nepal	88,785	104,374	119,131	1.89	14.1	3,179,353	12
Sri Lanka	239,995	266,515	305,853	4.85	14.8	14,323,846	70
Bhutan	10,328	12,048	15,489	0.25	28.6	551,220	76
South East Asia	360,191	439,043	521,755	8.27	18.8	214,723,860	36.2
Myanmar	12,849	14,719	25,043	0.4	70.1	53,649,200	89
Singapore	95,328	107,487	119,022	1.89	10.7	1,753,092	33
Thailand	67,309	76,617	92,404	1.46	20.6	61,943,563	95
Vietnam	5,577	7,458	9,809	0.16	31.5	74,664,000	85
East Asia	322,797	411,947	475,951	7.54	15.5	467,848,179	29.5
China	1,00,209	119,530	142,218	2.25	19	107,177,990	9
Taiwan	234,64	23,915	25,916	0.41	8.4	21,540,660	93
Japan	124,756	168,019	193,525	3.07	15.2	122,933,785	96
Rep Korea	70,485	95,587	108,680	1.72	13.7	11,265,569	70
Australasia	182,451	210,275	233,165	3.7	10.9	54,292	1.7
Total from Buddhist Countries	839,085	996,269	1,157,090	18.3	16.1	472,982,278	
Grand Total	5,167,699	5,775,692	6,309,222	100	9.2	489,807,761	

Source: Government of India, 2012

[3] <http://www.pewforum.org/2012/12/18/global-religious-landscape-buddhist/>

Market performance

Table 4, on the following page, provides an overview of visitor patterns and trends over a seven year period between 2006 and 2012

- The four main sites of Sarnath, Kushinagar, Bodhgaya, and Rajgir attracted more than 90 percent of Indian visitors and more than 83 percent of foreign visitors to the Circuit in 2012.
- The primary triangle of Sarnath, Rajgir/Nalanda, and Bodhgaya attracted around 81 percent of Indian visitors and 78 percent of foreign visitors to the Circuit.
- Average annual growth of visits between 2006 and 2012 was high—between 18 and 20 percent respectively for international and Indian visitors.
- Visits grew steadily at all main destinations and visits by both domestic Indian and foreign visitors to Rajgir/Nalanda grew at 48 percent and 80 percent.
- Foreign visitor numbers to Kushinagar also grew at almost 30 percent per year.
- Seasonality is a major issue facing tourism businesses on the Circuit. Foreign visitation statistics indicate that more than 60 percent of foreign visitors travel on the Circuit during the five month period from November to March.

Table 4: Visitor numbers, markets shares, and growth patterns at Buddhist sites on the Circuit, 2006–2012

Location	Number of visitors			Percentage share of total			CAGR percent		
	2012			2012			2006-2012		
	Indian	Foreign	Total	Indian	Foreign	Total	Indian	Foreign	Total
Kaushambi	146,131	8,401	154,532	2.2	0.7	2	9.6	10.5	9.7
Sarnath	833,500	355,294	1,188,794	12.4	29.6	15.3	5.6	8.7	6.4
Sankisa	77,620	11,700	89,320	1.2	1	1.1	5.6	11.8	6.3
Shravasti	113,965	113,538	227,503	1.7	9.5	2.9	2.8	7.1	4.8
Kushinagar	736,763	61,032	797,795	10.9	5.1	10.3	6.2	27.6	7.2
Kapilvastu	153,359	29,971	18,330	2.3	2.5	0.2	9.1	9.3	9.1
Bodhgaya	933,153	207,933	1,141,086	13.8	17.3	14.7	1.23	25.6	14.1
Rajgir	3,700,446	373,186	4,073,632	54.8	31.1	52.3	48.3	80.2	49.9
Vaishali	53,276	37,533	90,809	0.8	3.1	1.2	-23.3	21.9	-16.7
Total	6,748,213	1,198,588	7,781,801	100	100	100	17.9	19.6	17.7

Source: Government of Uttar Pradesh; Government of Bihar, 2013

Both domestic and foreign tourism on the Circuit has grown exceptionally well in the recent past, indicating potential for growth.

Bodhgaya, Sarnath, Rajgir, Nalanda, and Kushinagar, are clearly the main attractions on the Circuit and could become important catalyst locations for an accelerated growth strategy.

The high seasonality in visitor arrivals is a major challenge that negatively affects expansion potential, business viability, and sustainable employment creation on the Circuit. Strategies are needed to overcome this.



Carved image of the footprints of the Buddha

Market profile

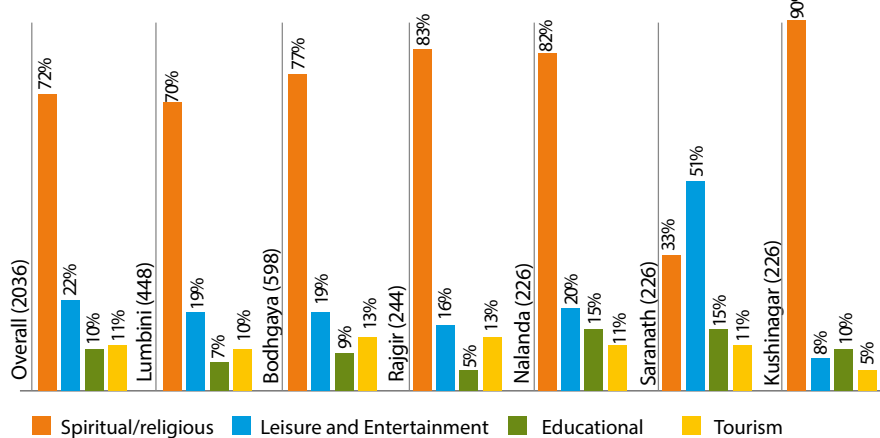
The 2012 survey of travelers to the Buddhist Circuit^[4] reveals different profiles of travelers, segmented by origin and purpose of travel.

Travel purpose

Figure 7: Purpose of visit of international and domestic visitors

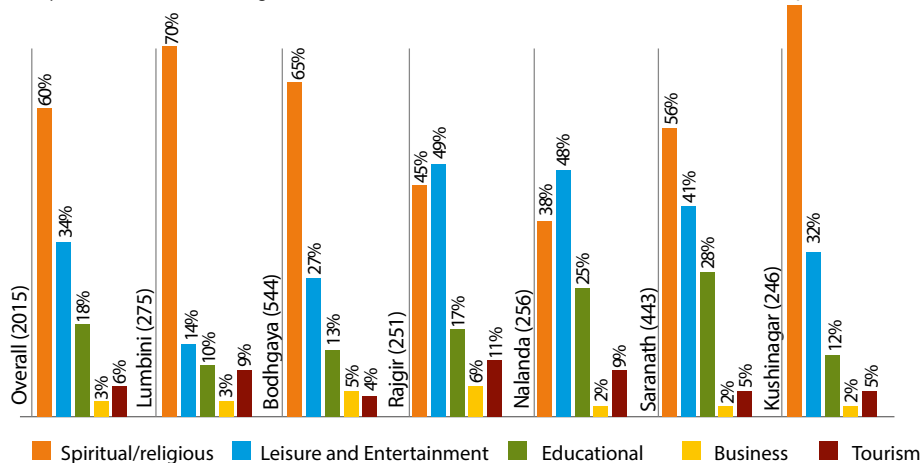
Purpose of visit: International travellers

Figures in parantheses indicate answering base



Purpose of visit: Domestic travellers

Figures in parantheses indicate answering base



[4] IFC, 2012: Expenditure and motivation survey of tourists in the Buddhist Circuit and Rajasthan, Module II: Expenditure and Motivation Survey in Buddhist Circuit

The following trends emerge from the survey:

- The majority of Indian visitors cited spiritual/religious travel as the reason to visit the Circuit, 34 percent cited leisure and entertainment. At some sites, such as Rajgir, Nalanda and Sarnath, leisure and entertainment were cited by a large number of visitors (between 40 and 50 percent).
- A large majority (72 percent) of international visitors travelled the Circuit for spiritual/religious purposes. The exception was Sarnath, where the majority (51 percent) cited leisure and entertainment and only 33 percent said they were visiting for spiritual and religious reasons.

Although Indian travelers primarily visit the Circuit for spiritual and religious purposes, some centers on the Circuit, such as Sarnath, Rajgir, and Nalanda, are important holiday and recreation areas. The needs and expectations of Indian leisure travelers should be kept in mind when developing these sites.

The Circuit attracts mostly religious travelers from Buddhist countries. The situation is different in Sarnath, where proximity to Varanasi, an important leisure holiday location, clearly acts as a stimulus for leisure and educational tourism. The captive leisure market in Varanasi and Sarnath offers an opportunity to draw more visitors to the rest of the Buddhist Circuit.

Demographics

- **Age:** The average age of domestic tourists visiting the Buddhist Circuit was between 30 and 31, lower than the average age of international tourists of 38 to 39 years. Moreover, with international tourists, the average age of religious travelers was higher than that of the non-religious travelers. Sri Lankan, Thai, Japanese, and Myanmar tourists had the highest average age among tourists.
- **Profession:** Students and traders/business formed the largest proportion of the sample among the domestic tourists, international tourists consisted of a mix of traders/ businessmen, students, and self-employed professionals.
- **Education:** International tourists had relatively higher levels of education than domestic tourists. The highest education level for a sizeable proportion of domestic tourists was high school; whereas a majority of international tourists were college/university graduates.
- **Income:** The average income of international tourists was more than seven times that of domestic tourists. However, considering the sensitivity of the issue, a sizeable portion of respondents refused to disclose their incomes, and some respondents may have misquoted their incomes.

Broadening the markets of the Buddhist Circuit beyond the pilgrimage segment will mean catering to a younger, more educated audience. This will attract higher income and higher spending travelers.

Travel behaviour

Sites visited

Table 5 shows the sites visited by domestic and international travelers. The following trends are evident:

- The majority of domestic travelers interviewed travel independently. Bodhgaya was the preferred destination for domestic religious travelers, possibly due to its proximity to Gaya (a major Hindu pilgrimage center), while non-religious domestic travelers often combined Bodhgaya with Rajgir and Nalanda in a sub-Circuit.
- Domestic religious travelers were more likely than non-religious travelers to extend their journey from the main centers of Bodhgaya and Sarnath to the rest of the Circuit, such as Kushinagar and Lumbini.
- Eighteen percent of international survey respondents visited only a single site when compared to 27 percent of domestic tourists visiting only one site. Lumbini and Sarnath were exceptions where single-site travelers comprised of 20 to 25 percent of international respondents. These could be considered site visitors rather than Circuit visitors.
- International independent/non-packaged travelers focused mainly on Bodhgaya and Sarnath and were less inclined to visit the rest of the Circuit, whereas packaged tours tended to cover all major Buddhist sites.
- Similarly, international non-religious travelers mainly visited Bodhgaya and Sarnath, with a limited number visiting other sites.
- There was a tendency among international travelers to begin and conclude their trips at Bodhgaya and Sarnath because Gaya and Varanasi have airports.

Table 5: Intended site visitation by packaged/non-packaged and religious/non-religious travelers

Sites that visitors intend to visit	Domestic				International			
	Religious (percent)	Non-Religious (percent)	Packaged (percent)	Non-packaged (percent)	Religious (percent)	Non-religious (percent)	Packaged (percent)	Non-packaged (percent)
Sample size (in numbers)	807	777	143	1,872	1,137	524	905	1,131
Bodhgaya	63	57	60.5	59.9	88	60	87.5	75.2
Rajgir	34	47	47.3	41.8	66	35	72.0	43.7
Nalanda	30	41	51.2	35.1	69	34	75.0	44.8
Vaishali	16	9	24.0	12.9	49	20	48.6	32.1
Sarnath	33	31	29.5	34.4	61	63	61.9	60.5
Kushinagar	27	15	20.2	23.1	62	30	63.3	43.0
Lumbini	23	12	39.5	15.9	61	33	60.3	46.6

Source: Motivation and expenditure survey, 2012

- The three routes followed by a majority of tourists are:
 1. Bodhgaya–Rajgir-Nalanda- Kushinagar-Varanasi/Sarnath-Bodhgaya;
 2. Bodhgaya–Rajgir-Nalanda-Sarnath-Kushinagar-Varanasi; and
 3. Varanasi/Sarnath-Kushinagar-Bodhgaya-Varanasi.
- Apart from this, sub-circuits existed where tourists covered Bodhgaya-Rajgir-Nalanda or Sarnath-Kushinagar in one stretch.
- Other sites were largely used as middle-of-the-trip centers. However, Lumbini was sometimes an exit point for tourists, especially those coming from India.

The survey results indicate that domestic visitors mainly travel independently and that the Bodhgaya-Rajgir-Nalanda area is most sought after by domestic travelers, with non-religious travelers having a particular interest in this area. Among international travelers there is a clear distinction between packaged and non-packaged travel movements, with packaged tours generally covering the wider circuit and non-packaged (independent) Circuit travelers focusing mainly on Sarnath and Bodhgaya. Similarly, the majority of non-religious international travelers only visit Bodhgaya and/or Sarnath.

Source of awareness about Buddhist Circuit

Awareness among domestic tourists was largely through word of mouth, travel literature, and newspapers. Among international tourists however, awareness was largely through Buddhist organisations and teachers, websites, travel literature, word of mouth, and, to some extent, tour operators.

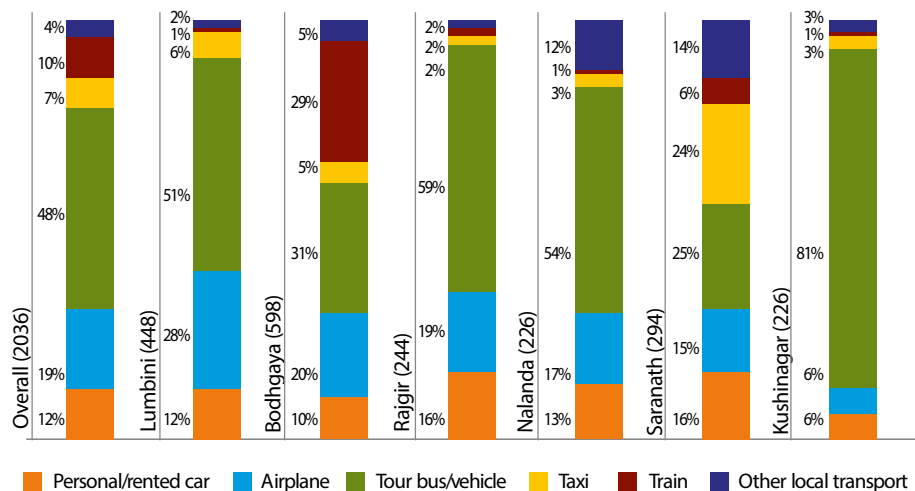
Incidence of travel and booking mode

- A majority of the tourists surveyed (both domestic and international), were first-time visitors to the Buddhist Circuit. Incidence of repeat visitors, however, was marginally higher among domestic students. Apart from this, the most common entry/exit point to the Buddhist Circuit was Bodhgaya.
- A majority of domestic tourists in the Buddhist Circuit travel without any pre-booking. For international tourists, however, since travel distances are more, and overall duration of a trip is less, a planned trip with prior booking is the rule. Booking the trip through internet/ travel agents/ tour operators was most preferred.

Mode of Arrival

Figure 8 shows that most domestic travelers arrive by road (in personal/rented cars) and rail. International tourists utilize a range of transport modes.

Figure 8: Mode of arrival of international travelers



Figures in parantheses indicate answering base

Source: Motivation and expenditure survey, 2012

- Due to its proximity to Gaya railway station, at least 30 percent of international visitors to Bodhgaya arrive by train. Visitors to Sarnath use a mix of transport modes (including taxi) due to its proximity to Varanasi. Visitors to outlying sites like Rajgir, Kushinagar, Lumbini, and other sites to the north depend on road travel by tour buses/vehicles.

Activities

- Since the primary purpose of travel for a majority of the tourists was spiritual/religious in nature, key activities included visiting temples, praying/meditating, and visiting museums and historic relics. This is listed in table 6. In contrast to other destinations, Lumbini is a center for a variety of activities, both religious and recreational, for both international religious and non-religious travelers. This involves attending religious ceremonies, festivals, and sports events. Souvenir shopping is not a major activity, except in Lumbini and Bodhgaya, where the shops have more to offer.

Table 6: Activities on the Buddhist Circuit by religious and non-religious travelers

Activities	International religious			International non-religious		
	Overall (percent)	Lumbini (percent)	Bodhgaya (percent)	Overall (percent)	Lumbini (percent)	Bodhgaya (percent)
Visiting temples/stupas	98	95	100	98	97	99
Prayers/mediation	90	88	92	61	67	64
Visiting museums	73	84	62	73	70	46
Visiting historic relics	66	72	70	59	66	64
Attending religious ceremonies	51	74	47	44	64	30
Souvenir shopping	48	65	51	41	57	42
Hiking/trekking	45	69	30	38	61	28
Attending festivals	41	74	26	37	61	20
Visiting villages and communities	40	63	29	37	61	18
Attending sports	38	71	22	34	64	13
Attending art or music performances (dancing, drumming, singing, craft)	37	58	24	29	60	7

Source: Motivation and expenditure survey, 2012

Participating in non-spiritual/religious activities is limited across the Circuit. However, table 6 demonstrates that alternative activities such as attending ceremonies, shopping, hiking/trekking, festivals, visiting communities, and attending art and music performances (in Lumbini, for instance) are popular among tourists if available. This suggests that the lack of product offering rather than lack of market interest may be the prime reason for low participation levels at Bodhgaya and elsewhere on the Circuit.

Visitor value and yield

Length of stay

- The length of stay in the Buddhist Circuit was longer for international tourists with a majority staying between five to thirteen days, compared to domestic tourists and those from Nepal who stayed between two to ten days.
- Tourists who arrived on packages stayed longer than those who did not. Independent travelers were more inclined to visit just a section of the Circuit, while package tours covered a larger part of the Circuit.
- International visitors from Thailand, Sri Lanka, and Myanmar spent an average of eleven to thirteen days on the Circuit, at least three days more than those from the west and Japan.



Ruins of Nalanda University, Nalanda, Bihar, India

Visitor expenditure

Table 7 indicates expenditure by various traveller types. These are some important findings:

- As expected, international visitors spent much more than domestic travelers. International visitors on packages spent up to five to ten times more than their domestic counterparts while it was up to twenty times for independent foreign travelers.
- Packages for religious tourists are generally more expensive than those for non-religious visitors; this may be due to the longer duration of tours for pilgrims.
- While there is a lack of information on the nature and extent of expenditure leakages (the portion of money paid for travel packages accruing outside of the Buddhist Circuit), this is an important factor to consider as leakages in the form of repatriation of profits, commissions withheld, and imports are significantly higher for packaged travel than for independent travel.
- Donations to temples and monasteries comprise a substantial portion of additional expenditure by both religious and non-religious packaged travelers. This may, among others, be in return for accommodation and other hospitality services offered by monasteries.
- The most lucrative spenders (both packaged and independent) are travelers from Western countries and China, whose total cost of travel is around 30 percent more than that of other international markets. Independent travelers from Western countries generally outspend other independent travelers. Buddhist pilgrims (religious travelers) from Thailand and Myanmar are relatively high spenders, while the expenditures of non-religious travelers from these countries are limited.



Ancient Nalanda University - Nalanda, Bihar India.

Table 7: Expenditure on the Buddhist Circuit by tourists from various countries

Tourist type	Markets and expenditure - \$								
	Domestic	Overall foreign	Thailand	Sri Lanka	Japan	China	Myanmar	USA and Canada	Other western countries
Package tourists: religious									
Package cost (\$)	222	2,591	2,360	1,214	1,547	2,218	3,629	23,864	6,860
Additional expenditure(\$)	99	1,487	1,793	1,078	1,137	3,111	2,359	993	679
Total Cost (\$)	321	4,078	4,153	2,292	2,684	5,330	5,989	24,858	7,540
Package tourists: non-religious									
Package cost (\$)	189	1,677	1,444	1,835	2,298	2,113	910	3,530	1,942
Additional expenditure(\$)	362	1,562	454	2,889	218	4,349	1,680	1,445	2,265
Total cost (\$)	552	3,240	1,899	4,724	2,516	6,462	2,591	4,975	4,207
Independent Religious									
Cost of arrival (\$)	81	798	643	692	359	980	721	1,823	1,277
Expenditure (\$)	91	1,220	1,142	761	463	1,496	1,302	3,249	2,334
Total cost (\$)	172	2,019	1,785	1,454	822	2,477	2,023	5,072	3,611
Independent non-religious									
Cost of arrival (\$)	73	1,054	397	210	360	1,725	842	1,493	1,197
Expenditure (\$)	105	1,679	875	254	858	4,267	179	1,723	1,979
Total cost (\$)	179	2,733	1,272	465	1,218	5,992	1,021	3,216	3,177

Source: Motivation and expenditure survey, 2012

- While it is not possible to calculate daily expenditure accurately, figures indicate that package costs on the Buddhist Circuit range from around \$100 per day (budget) to \$300 (upmarket). Major discretionary expenditures such as shopping and donations to temples and monasteries vary substantially and are often not related to the cost of the package. Spending of non-package tourists on hospitality services like accommodation, restaurants, and shopping is relatively high. Religious tourists surveyed from Myanmar also recorded high expenditure.

The survey results indicate that the Buddhist Circuit attracts a range of expenditure segments, with large expenditure variations among country markets and between religious and non-religious tourists. As a rule the “short circuit” (Bodhgaya-Sarnath-Patna triangle) attracts visitors across the expenditure range from budget to upmarket, while the broader Circuit generally attracts budget to middle-market travelers, the majority being pilgrims.

Status of branding and promotion

The integrated Buddhist Circuit concept has a brand image and visual identity that highlight its uniqueness, distinguishes it from other Circuits and destinations in India, and can be used to signpost the Circuit and build a sense of place. The Circuit brand has been largely developed and packaged by individual private tour and facility operators and there is no collective framework or initiative to promote the Circuit concept.



Rock Carvings - Kauwadol, Gaya, Bihar, India.

Country level

- At the country level the Ministry of Tourism, under the brand banner of *Incredible India*, has paid special attention to Buddhist tourism, mainly through the production and co-production of high quality information materials. These include:
 - Foldout map of Buddhist sites in India with information on key sites. The map is informative, but does not clearly define the Circuit and various sub-circuits of Uttar Pradesh and Bihar.
 - *Walking with the Buddha*, a comprehensive, impressively documented and well designed handbook on the origins, development, practices and sites of Buddhism in India. Apart from detailed and well-researched generic information, the book contains valuable tips and contact information on services and facilities along the Circuit.
 - A section on the *Incredible India* website where the Buddhist Circuit is one of 13 themes to be discovered.
 - Information materials, available in English and Hindi only, with no particular focus on addressing different requirements of various cultures and countries.
- Promotional materials (high resolution images, advertising clips, videos, print advertisements) to market the Buddhist Circuit are limited, and coverage of Buddhist travel is confined to a few images as part of broader adverts. There does not appear to be any dedicated promotional elements specifically aimed at marketing the Buddhist Circuit in its totality and promoting India as a pilgrimage destination in Buddhist countries.
- The ministry has “Incredible India” representative offices in three Asian and South East Asian countries, namely Japan (covering Japan, Korea and Taiwan), China (covering China/Hong Kong) and Singapore (covering all South East Asian countries). In addition to acting as coordination points for above-the-line activities associated with the *Incredible India* campaign, the offices attend a variety of media and travel trade education and promotion programs, mainly at trade and consumer tourism fairs and workshops. Their activities include:
 - **Japan Office:** Consumer and trade fairs – Korea: three events, Taiwan: two events, Japan: three events.
 - **Singapore office:**
 - a) Consumer and trade fairs – Indonesia: one event, Malaysia: three events, Singapore: three events, Vietnam, Thailand and Philippines: one event each;
 - b) Travel trade workshop road shows – July/August (Singapore, Malaysia, and Thailand), November/December (Vietnam, Cambodia, and Myanmar), January/February (Philippines, Indonesia, and Brunei).
 - **China office:** Consumer and trade fairs – Beijing: two events, Shanghai: two events, Hong Kong: one event, Guangzhou: one event.

- These offices and activities cover the Buddhist pilgrimage markets. The extent to which the Buddhist Circuit, in particular, is promoted during these events is unclear. The extent and depth of coverage and information provided requires further scrutiny.

State level

Specific marketing initiatives by state tourism departments to highlight and promote the Buddhist Circuit are limited and there is a need to strengthen efforts.

In Bihar

- The Bihar State Tourism Development Corporation (BSTDC) website strongly presents a Buddhist image; however the site focuses on individual destinations and BSTDC services and facilities but does not reflect the Circuit concept.
- The Bihar Tourism Department website has a limited Buddhist Circuit presence; the Buddhist Circuit is listed among a range of other Circuits (Hindu, Jain, and Sufi). The listing of destinations in the Buddhist Circuit landing page is combined with various non-Buddhist destinations.
- It is unclear what proactive marketing initiatives the state tourism authority engages in to promote the Circuit; indications are that such initiatives are limited.

In Uttar Pradesh

- The Uttar Pradesh tourism website does not reflect a focused effort to promote the Buddhist Circuit. The various Buddhist site locations are listed with all other destinations and the picture gallery contains good images of the various destinations all over Uttar Pradesh (including the Buddhist destinations). While there is a separate page dedicated to tourism Circuits in Uttar Pradesh (Mahabharat Circuit, Ram Van-Gaman Yatra Circuit, Circuit related to First War of Independence in 1857, Jain Circuit, Sikh Circuit, Sufi Circuit, Christian Circuit, and Handicraft Circuit) this page does not mention the Buddhist Circuit as an option.
- Like Bihar, it is unclear what proactive marketing initiatives the state tourism authority engages in to promote the Circuit; indications are that such initiatives are limited to some printed brochures, however the distribution of these is questionable and no printed materials could be found at official tourism information centers.

The integrated Buddhist Circuit has no formal brand identity and is portrayed and packaged in a fragmented and inconsistent manner. Despite the unique status of the Circuit and the enormous international market size of Buddhist travelers, proactive and coordinated destination marketing efforts are limited and the Circuit is primarily promoted by individual operators and religious bodies.

Tourism resources

Attractions at a majority of sites on the Circuit stretch beyond its core landmarks. Tourists interact with the broader environment, which include urban and rural landscapes and natural and cultural resources of the main towns and locations on the Circuit.

An enjoyable and impactful travel experience depends on more than physical landscapes and heritage – services rendered by locals and the ambience and aesthetics of the travel environment are equally important aspects of an attractive and sustainable tourism destination. The following are key challenges and opportunities related to current resources on the Circuit.

Buddhist sites and other attractions

Buddhist heritage sites and surroundings are managed by a variety of agencies. Each site has its own challenges, but the following concerns are applicable across most sites:

- The majority of relics and landmarks (such as stupas, water bodies, and monasteries) associated with the life of the Buddha are protected by the Archaeological Survey of India (ASI) or institutions set up for the purpose such as temple management committees. The sites are generally well maintained and preserved.
- Most sites lack quality visitor facilities, such as shaded seating for meditation and rest, modern well-maintained restrooms, pathways, and lighting.



Ashoka pillar, Kolhua, Vaishali, Bihar, India.

- ASI site opening hours are, in many cases, restricted and do not allow after-hours visits. Since pilgrims are on tight schedules, this restricts the quality of the experience.
- Interpretation of the history, events, and context of Buddhism is lacking. ASI operates museums at most sites, which contain numerous valuable, high quality relics and displays. But these are mostly static and museums do not follow themes or storylines. Opportunities for visitors to interact and engage are very limited.
- Visitor information and signage throughout the Circuit is inadequate.
- The sacred sense of place is often tainted by commercial, human, and vehicular intrusion. Not only does this take away from the spiritual experience but pollution poses severe threats to the structural quality and integrity of the sites.
- Entertainment, shopping, and relaxation in and around the sites are extremely limited and opportunities to enjoy a relaxing meal or beverage, listen to music, or participate in cultural activities are few.
- Aesthetic, practical integration with the surrounding urban environment is mostly absent. In many instances there are no, or very limited, visitor friendly transition zones between the sites and its surroundings. This means that, once outside site boundaries, the hustle and bustle of daily life is often “in the face” of those who seek spiritual contemplation and peace.
- Opportunities to interact with and experience the culture and lifestyle of local communities are limited and except for purchases from local informal traders, the majority of Buddhist Circuit visitors are removed from local communities.
- The sites and their surrounding visitor environments are often under the control of a variety of institutions such as the ASI, tourism departments, forest departments, temple management committees, and local traders. Inclusive coordination and planning is rare.

The Buddhist Circuit contains the most valuable and unique locations for Buddhist pilgrims throughout the world. The sites are generally well preserved. However, the locations have been neglected from a tourism and visitor perspective and there are very few attractive opportunities on the Circuit to leverage and enhance visitor enjoyment, experience, and value beyond the monuments and temples. Current attractions are not seamlessly packaged; for instance, visitors require separate tickets for each entry and product packaging and pricing practices in the two states also vary.

Human resources

Studies are yet to be made on the employment impact of tourism on the Buddhist Circuit. The following findings are based on industry interviews, workshops, and available literature:

- Employees in the hotel industry are generally well trained in basic hospitality services. According to national statistics, around 80 percent of employees of registered hotels have had at least a one-year certificate in hospitality management or some focused in-house training.
- Apart from managers of higher quality hotels, few locals are trained to deal with the unique requirements of Buddhist nationalities such as foreign languages, food preferences, cultural habits, and spiritual practices. There does not appear to be formalized cooperation between country monasteries and local tourism authorities to address foreign visitor requirements. Foreign groups are generally accompanied by guides and tour leaders from countries of origin.
- The quality and availability of Indian tourist guides specializing in the Buddhist Circuit is limited, possibly due to the group pilgrimage nature of travel on the Circuit. As a result, visitor interaction and interpretation is limited or lacking.



Group of Buddhist monks.

- Local communities are unaware of the behavior, requirements, and economic contributions of Buddhist travelers. This may lead to misperceptions and even conflicts. Outreach and awareness programs to educate and inform locals and visitors about the benefits, requirements, and responsibilities associated with Buddhist tourism are few.
- Although informal traders throughout the Circuit sell handicrafts and souvenirs, the quality and authenticity of such products is inconsistent. There is opportunity to sell higher quality crafts, souvenirs, and other locally produced items. Most sites lack suitable shopping and market areas, and trading is mainly concentrated at entrances to historical sites.

There is clearly scope for a focused local awareness, skills training, and entrepreneurship development drive to maximize local economic and employment impact of the Buddhist Circuit.



Thai Temple - Nalanda, Bihar, India.

Intangible resources

The intangible elements and characteristics of the Buddhist Circuit experience are important in fulfilling expectations and delivering experiences sought by visitors. Since the architecture and tangible relics are less impressive than that of other religious locations, visitors are in search of a unique spiritual experience. This requires a suitably serene environment. There are many challenges here:

- The Buddhist Circuit experience encourages inward reflection and meditation, among other things. The social, cultural and religious environment in India is not always conducive and few spaces around the Circuit are suitable for quiet contemplation.
- Spiritual serenity and meditation require an unpolluted and healthy environment. Sites on the Circuit suffer from high levels of air pollution, noise pollution, traffic congestion, and littering.
- Personal safety is of primary concern to all tourists. The introduction of tourist police at some of the sites is a positive development. Coordinated safety and crisis management and effective health care are limited. Specific areas requiring attention are:
 - Improvement of visitor safety at the more adventurous sites such as the Rajgir ropeway, especially for older tourists.
 - Emergency health care in proximity of sites.
 - Harassment of tourists.

There is a need for an integrated and coordinated management approach among the various entities involved at local levels to ensure an unpolluted, serene, and safe environment.

Support services and infrastructure

Access and connectivity

Seamless entry and movement for visitors between various locations is important for the Circuit to be a success. Easy mobility encourages tourists to cover the entire Circuit, and has a major effect on the length of stay and dispersion of travelers across the two states.

Air

Airport infrastructure is improving. The plans to develop an international airport at Kushinagar will add to air access. Unfortunately flights to Gaya remain seasonal and this may well be the case with the new Kushinagar airport, unless proactive steps are taken to drive traffic through the airport and to lengthen the season.



Samath Tibetan Buddhist Monastery

Table 8 shows that there are quite a number of internal flights from Delhi to major entry centers such as Varanasi, Patna, and Lucknow. There is only one flight a day to Gorakhpur. A focused effort will be required to position the upcoming airport at Kushinagar as a major entry hub.

Table 8: Domestic flights to key airports along the Buddhist Circuit, 2013

Start Journey	End Journey	Number of direct flights
Delhi	Varanasi	5 per day
Delhi	Gaya	In season, 1 flight per day
Delhi	Patna	7 per day
Delhi	Gorakhpur	1 per day
Delhi	Lucknow	16 per day

Source: IFC research

Gaya airport provides an indication of the high degree of seasonality. Five international airlines fly direct to Gaya Airport during the season from various hubs in Asia, in addition to a daily domestic flight from Delhi. As many as 150 aircraft land at the airport each month during the tourist season the tourist season (September to March). The majority of these flights are discontinued during the off-season.

Table 9: Direct flights to Gaya Airport, during season, 2013

Airlines	Destinations
Air India	Delhi, Kolkata, Varanasi, Yangon
Druk Air	Paro, Kathmandu
Mihin Lanka	Colombo, Hambantota
Myanmar Airways International	Mandalay, Yangon
Thai Airways International	Bangkok-Suvarnabhumi

Source: IFC research

Rail

Rail connectivity can play an important role in improving access through the Circuit. The *Mahaparanirvana Express* Buddhist Circuit train is dedicated to pilgrimage groups; however it follows a fixed itinerary, comes at a fairly steep price, and leaves limited room for flexibility in terms of Circuit combinations. The existing rail service could provide flexible access, but services and facilities are of inconsistent quality, the rail station and train environment is often chaotic and overcrowded, and the system does not allow for pre-booking and payment from foreign countries.

A special tourist ticket with additional services on specific scheduled trains and key routes (for instance, New Delhi to Gaya, with possible stops in Varanasi, Gaya, and Rajgir) would be useful. This could go with facilities such as tourist-assigned ticketing up to 24 hours in advance of departures, tourist waiting rooms at stations with well-maintained bathrooms and seating, a concierge service to provide information and show tourists the way, and optional catering service on trains. Trains like the *Shramjevi Express* and the *Budhpurnima Express* are good possibilities and connections for such a scheme.

Roads

Figure 9: Main travel sections on the Buddhist Circuit



While rail and air services bring tourists up to certain key points, full-circuit travelers rely on road transport for large sections of their journeys. Road infrastructure is constantly improving and most state-level roads are in fair, if not good, condition. A planned JICA-financed^[5] road improvement project from Rajgir to Bodhgaya will upgrade another state-level road link. The longest stretches of road travel around the Circuit are, however, on national highways and these are unfortunately, for the most part, not in good condition. Several road sections are particularly problematic and are major obstacles for tour operators and visitors. Table 10, on the next page, provides a summary of road conditions.

Appropriate access, transport, and connectivity are critical factors for the growth of the Circuit. Transport infrastructure and facilities should lead the Circuit development strategy. Airport infrastructure is improving and joint marketing programs should be launched with local and foreign airlines to grow air traffic to the main airports on the Circuit and lengthen the tourist season. Available rail services should be leveraged for tourism and a phased program of road and wayside improvements should be part of the strategy.



Vulture peak, Rajgir, Bihar, India

[5] Japan International Cooperation Assistance

Table 10: Summary of road conditions on the Buddhist Circuit

Stretch	Distance and time	Condition	Comments
Varanasi-Bodhgaya (L-K)	255 km/approx. 5 hours	Excellent	
Bodhgaya-Rajgir/Nalanda (K-J)	90 km/approx. 2 hours	Average	Three very old narrow bridges slow down traffic. Bridge at Tungi Bazaar is especially bad, forcing tour coaches on a long detour along the mountain.
Rajgir-Patna (J-H)	110 km/approx. 4 hours	Average	Bottleneck at Fatwa, located between Bakhtiyarpur and Patna. Bakhtiyarpur to Rajgir is a very bad stretch.
Bodhgaya–Patna (K-H)	100 km/approx. 4 hours	Good but narrow	The road is being upgraded from Patna to Rajgir and Bodhgaya – due to be completed mid-2015
Patna–Vaishali (H-G)	54 km/approx. 2 hours	Average	Bad traffic management at bridge over the Ganges river leads to delays
Vaishali–Kushinagar (G-F)	175 km/approx. 6 hours	Average	National highway under construction. However, construction seems to have stopped leading to difficult driving conditions.
Kushinagar–Sravasti (F-B)	250 km/approx. 6 hours	Average	Wayside amenities needed.
Kushinagar–Lumbini (F-D)	180 km/approx. 5 hours	Average	Decent road, quite quick. Wayside amenities required.
Kushinagar–Varanasi via Gorakhpur (F-L)	270 km/approx. 7 hours	Poor	Kushinagar to Gorakhpur is in an acceptable condition, but Gorakhpur to Varanasi is poor.
Lucknow–Varanasi (A-L)	320 km/approx. 6 hours	Good	
Sravasti–Varanasi (L-N)	305 km/approx. 7 hours	Average	
Sravasti–Lucknow (B-A)	165 km/approx. 5 hours	Highway is in average condition, but adds an extra 90 km	Road deteriorates from Baraich to Sravasti, especially from Masuali. Wayside amenities needed.
Lucknow–Sankiasia (A-N)	250 km/approx. 6 hours	Very poor	Lucknow to Kanpur is acceptable but Kanpur to Sankisa is very poor.

Source: Key tour operators on Buddhist Circuit

Accommodation

Accommodation on the Circuit largely reflects the nature and extent of market demand. Accommodation is available in the following categories:

- **Private hotels:** All main sites on the Circuit offer one or more private hotels. These are mostly 2-star and below, with the exception of a few 3-star hotels. There are no 4 or 5-star hotels in any of the main locations on the Circuit, other than those in nearby Lucknow, Varanasi and Patna. Private hotel supply at 3-star level and lower appears to be in tune with market conditions (in particular pilgrimage budgets and tastes, and seasonality). There does not appear to be a shortage of this type of accommodation along the Circuit.
- **Private bed-and-breakfast and guest houses:** The main pilgrimage centers offer a range of low cost accommodation, especially in Bodhgaya. These cater to budget conscious local travelers and international pilgrims.
- **Government hotels:** The state tourism corporations of Bihar and Uttar Pradesh have government-owned hotels at all Buddhist locations. These range from dormitory accommodation to tourist standard en-suite rooms and cater to the entry level of the market. Facilities are generally quite dated and in need of recapitalization and refurbishment. At several locations, government-owned hotels are located on prime land. Operations of some government-owned hotels are outsourced to private individuals; observations indicate that the state corporations outsource the more marginal facilities and manage the more viable ones.
- **Monasteries:** The various country monasteries mainly provide accommodation to their own nationals. However, many monasteries also take in tourists and nationals of other countries. While they are not allowed to charge specific rates, guests are expected to make a donation in return.

While there is ample budget and tourist class accommodation on the Circuit there are no 4 and/or 5-star hotels. Attracting higher-spending pilgrims and non-pilgrims will require improving hotel standards and stimulation measures should be considered.

Seasonality heavily impacts the feasibility of hotel development. Every effort should be made to stretch the visitor season by, for instance, improving infrastructure and facilities, staging events and conferences, and conducting special promotions.

Limited land availability limits accommodation expansion. Suitable land parcels should be acquired for development of tourist hubsparks in line with the twelfth 5-year plan.

Government hospitality facilities are often well located but are of a limited standard. An audit should be conducted of government land and hotels to identify opportunities for leveraging these resources for tourism growth.

Many monasteries act as pilgrim accommodation facilities and because they are regarded as charities, are exempt from taxes and duties. Study is required on the contribution of monasteries to local economies and to identify further opportunities for economic linkages.



Remains of Nalanda university, Nalanda, Bihar, India

Activities and amenities

In order to leverage the potential of tourism as a driver of economic growth and job creation, activities along the Buddhist Circuit need to be improved and amenities need to be upgraded. Some of the more urgent issues are:

- Difficult road conditions for long driving distances when visiting multiple sites.
- Seasonal tourist patterns, dictated by extreme weather conditions during shoulder and down seasons.
- Sites are “islands” in Hindu and Muslim majority areas, with limited contact between locals and visitors.
- The Circuit’s attractions are derived more from history and spiritual engagement than from tangible and impressive architecture, construction, or physical evidence.

The Circuit’s wider success will depend on providing wayside amenities, visitor comfort facilities (shading, seating, and drinking water), opportunities to interact with local people and lifestyles, and interesting interpretation and storytelling.

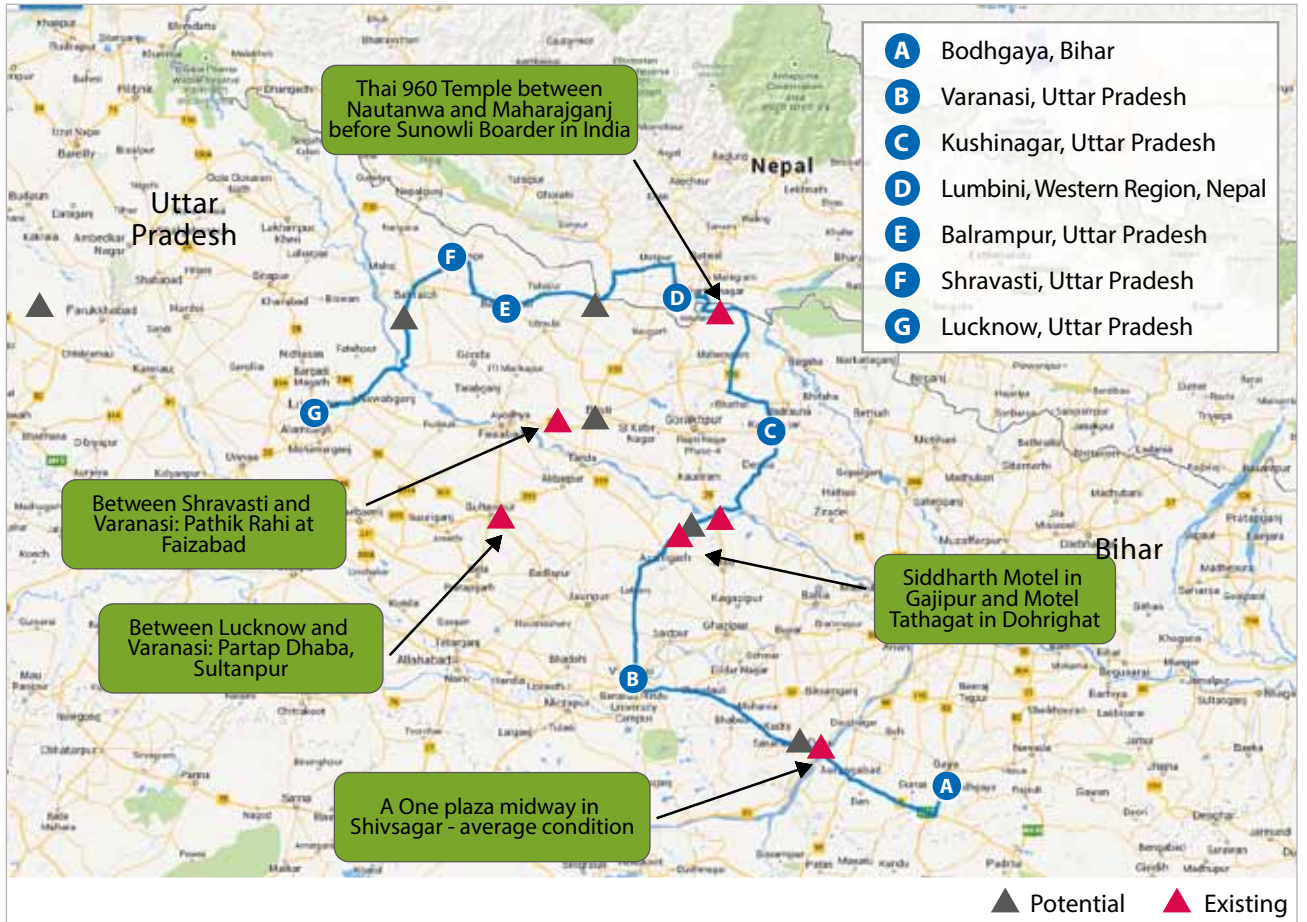
Wayside amenities

With pilgrims and tour groups traveling long distances over difficult road conditions, comfortable and clean stop-over restrooms are critical to make the trips comfortable and enjoyable. Figures 7 and 8 indicate major wayside needs and opportunities.

Uttar Pradesh (See black triangles in figure 10)

- Between Gaya and Varanasi: Restrooms are in poor condition. At least one new facility needed between Bodhgaya and Varanasi.
- Between Kushinagar and Shravasti, a 250 km (6 hours) journey: No wayside facilities.
- Between Shravasti and Lucknow, 165 km (5 hours): No wayside facilities.
- Between Lucknow and Sankisa (where Sri Lankan tourists usually go), 250 km (6 hours): No wayside facilities.
- From Varanasi to Shravasti and Varanasi to Gorakhpur: Wayside amenities needed urgently.
- On all the other important routes barring Kushinagar to Lumbini, Gaya to Varanasi, Kushinagar to Varanasi, Lucknow to Varanasi, and Shravasti to Varanasi: Wayside amenities exist but need to be upgraded or new ones need to be added.

Figure 10: Existing and potential wayside amenities in Uttar Pradesh



Source: Key tour operators on Buddhist Circuit

Bihar (See black triangles in figure 11)

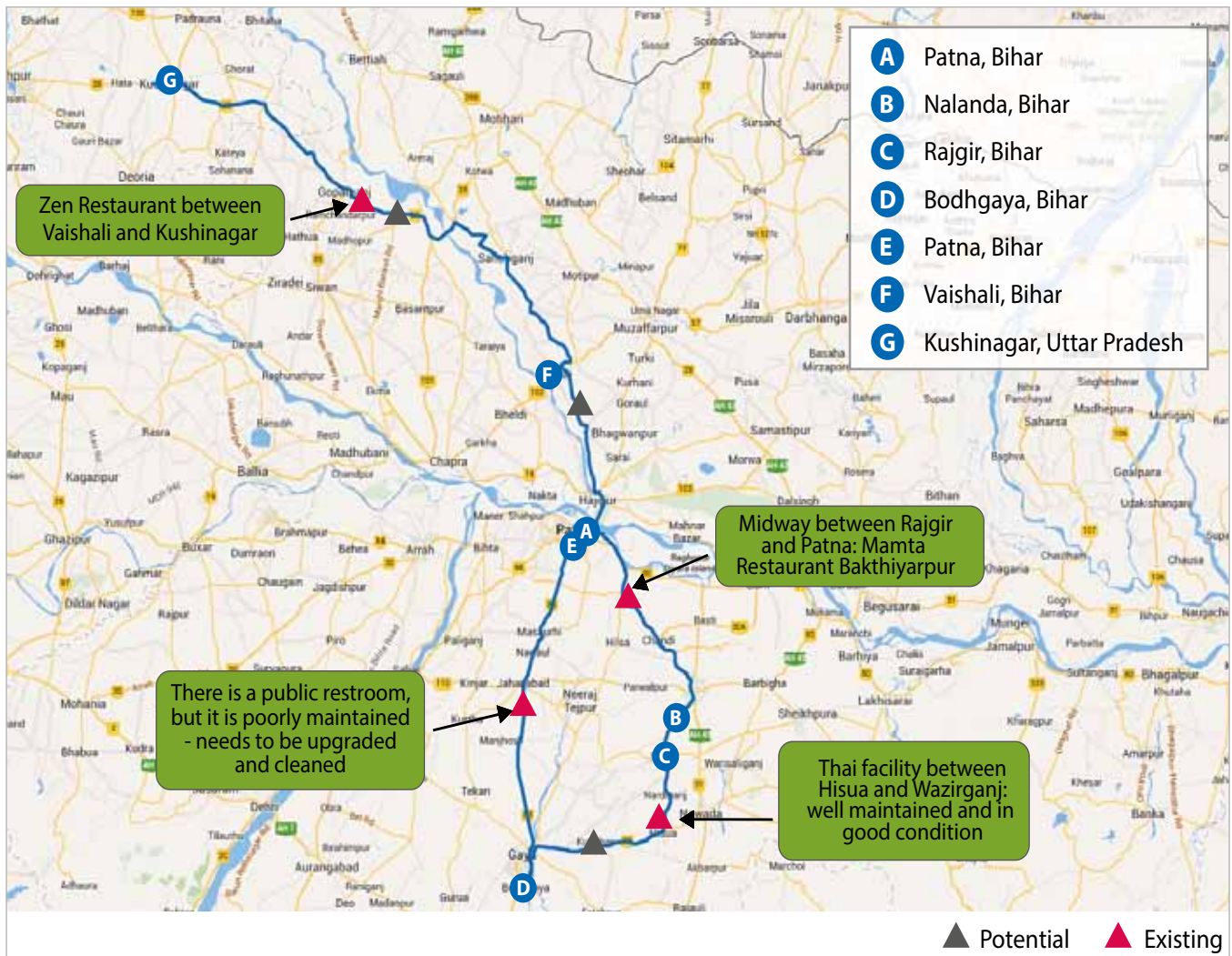
- Between Gaya and Hisua: No wayside facilities.
- Between Patna and Vaishali: No wayside facilities.
- At Kesariya or near Gopalganj: No amenities.
- Need to upgrade and monitor the public restrooms between Patna and Gaya. This is a good location and a building already exists. It needs to be maintained and marked with proper signs.

Appropriate wayside amenities are urgently required at suitable points. The following locations are priorities:

- Between Bodhgaya and Varanasi
- Between Varanasi and Gorakhpur
- Between Varanasi and Shravasti
- Between Kushinagar and Vaishali

The Wat Thai 960 is a good example of a quality wayside facility. The development of facilities in association with major petroleum companies could provide opportunities for public-private partnerships.

Figure 11: Existing and potential wayside amenities in Bihar



Source: Key tour operators on Buddhist Circuit

Site amenities and facilities

Providing suitable visitor facilities at and around the Buddhist sites is important to ensure a pleasant and peaceful experience in tune with the context of the Circuit. The following important amenities and facilities require improvement:

Amenities	Issues
Clean public restrooms	Restrooms are generally available at Archaeological Survey of India (ASI) sites; however maintenance and operations need improvement. Facilities in urban areas around sites such as Bodhgaya, Sarnath, Nalanda, Vaishali, and Kushinagar are inadequate and require significant improvement.
Shade, seating, and landscaping	While there is some shade and seating at most sites, it is inadequate. These need to be planned and executed in an aesthetically pleasing manner and should allow visitors to spend quality time and to meditate. Open spaces and parks around sites such as the Mahabodhi temple in Bodhgaya and the deer park and zoo area in Sarnath need to be landscaped and planned to provide peaceful visitor experiences.
Walk spaces and lighting	Pedestrian spaces such as sidewalks and pedestrian trails are inadequate in most locations and haphazard traffic and pollution are growing threats. Bodhgaya and Sarnath have major roads running through the site areas and pilgrims walking to the temples and stupas have to dodge heavy traffic. Various landowners such as the ASI, forest department, temple management committees, and local bodies have fenced their sites, limiting pedestrian movement.
Shopping and restaurants	Apart from local hawkers selling Buddhist paraphernalia and street food, shopping is limited. There is also a lack of quality restaurants and coffee shops. Attempts to move local hawkers to alternative spaces outside of the core site areas have failed in Bodhgaya. It may be more prudent to improve facilities close to the sites. In addition, entertainment can add variety to visitor programs and will require suitable spaces with seating.
Visitor activities	Activities on the Circuit are limited to visiting Buddhist temples and stupas. Opportunities to experience local lifestyles, engage in health and wellness activities, and undertake broader cultural tours are limited. Features such as the Rajgir ropeway, the caves, hot springs, and walking trails require further improvement and could attract non-Buddhist visitors, pilgrims wanting to spend more time at specific destinations, and local recreational visitors.
Interpretation	While pilgrims are generally well acquainted with the significance and history of the Circuit, they may be unaware of the broader history, events, and circumstances around the Ganges basin. Non-Buddhists need interpretation and storytelling to derive optimal value and understanding of historical significance. Existing ASI museums provide interesting displays of relics. The rich heritage of the Ganges basin and the life and travels of the Buddha should be told and displayed more creatively if more tourists are to be attracted.

Buddhist sites on the Circuit are limited in size but patronized by large numbers of pilgrims and tourists during the season. Many sites are located within fast-growing urban populations. Creative urban design and planning is needed to retain their character and peacefulness in accordance with Buddhist practices. Pedestrianizing the sites and surroundings, providing adequate seating and shade, landscaping, and ensuring adequate sanitation are some aspects that require attention at most sites. A detailed audit of individual sites will help identify exact problems and specific improvements.

Related activities like shopping, eating, village tours, general health and wellness experiences, and trails and ropeways are limited. These could be developed to make the Circuit more attractive and stimulate local job creation, economic activity, and entrepreneurship.

While museums on the Circuit contain impressive examples of Buddhist relics and art, interpretation of the Ganges heritage and the journeys of the Buddha and his followers is limited. Creativity here could add major value to the Circuit for both Buddhist and non-Buddhist travelers and increase the overall length of tourist stays.



Sarnath stupa, India.

Industry competitiveness

Overall industry structure

- The tourism industry on the Buddhist Circuit has built up a solid foundation that can now be leveraged for expansion. However, there are barriers for the entry and expansion of new businesses.
- A majority of visitors are budget-conscious pilgrims travelling in groups on tightly packaged itineraries. This requires substantial accommodation and transport capacities at affordable rates. As a result, accommodation is concentrated in monasteries and budget hotels.
- A limited number of ground handling operators results in most of the travel arrangements and services being vertically integrated and provided by a single supplier. As a result, most spending is concentrated within a limited number of operators.
- New entrants find it difficult to enter the market due to well-established relationships and distribution channels and scarcity of land.
- A majority of packaged itineraries allow for only one night or a maximum of two nights per destination. This limits opportunities other than site visits and prayers.



Buddhist Prayer Flags

- Transport and visitor facilities are not geared toward independent travelers and special interest market segments.
- Different government agencies such as state tourism departments, tourism development corporations, ASI, and forest departments typically manage sites. Joint planning and coordinated development is limited and, as a result, visitor access and movement is fairly fragmented.

Pilgrimage agencies in association with local tour operators and suppliers have laid a solid foundation for tourism expansion on the Circuit. The market has been captured by a limited number of players. Rapid tourism growth beyond current demand and capacity will require expansion of current operations, entry by a greater variety of players, growth in leisure and independent travel segments, and creative investment by local and international entrepreneurs.

There is a need for greater collaboration and coordination among public sector agencies that own and operate sites and facilities to improve and ensure a seamless experience.

Investment and business environment

Rationalizing the tax system for Buddhist Circuit tourism

A favorable business environment that supports the tourism industry attracts investments to the sector, spurs growth, and has positive impact on poverty reduction. According to surveys in several economies, most tourism operators consider taxes (both in terms of high rates and compliance costs) as substantial obstacles to business and investment. Streamlining the tax regime can stimulate growth by reducing costs for businesses to start up and operate in the sector.

Taxation

The tourism sector can be taxed, either by taxing businesses or tourists directly. Through the general tax system, profits and sales can be taxed. Through special taxes imposed on “tourist” activities, particularly entry and exit taxes and taxes on hotels the visitors can also be taxed. In most developing countries, the important taxes on tourism are taxes on hotel services, whether levied as part of a general sales tax or as special “excise” taxes.

In principle, the tourism industry should be taxed like any other. The case for any exemption from income tax is extremely weak, with the caveat that there should be no bias against the tourism industry. The same applies to the employed and self-employed work force in the industry. A few countries have addressed issues relating to market failures and other investment climate constraints by introducing special fiscal incentives for tourism. These include tax holidays, accelerated depreciation on buildings, initial capital allowances, and exemptions of customs

duties. These incentives raise returns and offset actual or perceived differences in the cost of doing business and investing in a location.^[6]

In India, the Income Tax Act allows special deductions and concessions to the tourism industry in general. These include:

- i. Capital expenditure for hotels of two stars and above: immediate full deduction of capital expenditure (except expenditure on land, goodwill, and securities), where operations commenced after April 1, 2010.
- ii. Five-year profits and gains deduction for hotels and convention centers that commenced construction or operation between April 1, 2008 and March 31, 2013.
- iii. Ten-year tax holiday for infrastructure including roads, rail, and utilities required for tourism.
- iv. Accelerated depreciation for hotel buildings at 15 percent as against the general rate of 10 percent.

These benefits are available for Buddhist Circuit tourism. However, the efficacy of these incentives is yet to be evaluated so it would be inappropriate to make further recommendations.

Countries with general sales taxes, particularly value-added taxes, extend these taxes to hotel accommodation and other tourist activities, sometimes at reduced rates due to competitive reasons. In developing countries, however, as a rule only a limited range of services are subject to so-called 'general' sales taxes. Instead, special taxes are applied to services provided by tourist hotels, such as hotel accommodation, rental cars, entertainment, and restaurants. Since they approximate to the general level of sales tax/VAT they do not, in substance, constitute industry-specific taxation. Because tourism development is an integral part of anti-poverty strategies, VAT or other indirect taxation should not be relatively higher so as to impede growth. Further, in the context of VAT-type indirect tax regime, the cascading effect of multiple taxes on the hotel industry in particular should be totally eliminated.

The most significant tax on tourism is, invariably, that on accommodation (and related catering). Hotel accommodation in India is subject to luxury tax by the states at rates ranging from 4 to 20 percent. The levy is imposed on printed tariffs to prevent mis-declaration of actual tariffs. Since actual tariffs in lean seasons are substantially lower than printed tariffs, effective tax rates increase up to 30 percent. Further, disparity in rates of luxury taxes across states adds to dissatisfaction of tourists and compliance costs by tour operators.

Under the Bihar Taxation on Luxuries Act, 1988, and the Uttar Pradesh Taxation and Land Revenue Laws Act, 1975, both Bihar and UP impose taxes on luxuries that cover various goods and services regarded as non-essential, including hotels. In Bihar, hotel accommodation, being a service, is liable to luxury tax but exempt from VAT. Luxury tax is 5 percent if the room tariff is more than Indian rupees 500 (\$8) but does not exceed Indian rupees 1000 (\$16). However, if the tariff is more than Indian rupees 1000 (\$16), the rate is 10 percent. Consequently, the hotelier cannot claim any input tax credit of state-VAT on inputs used (including capital goods). This increases the cost of providing hotel services. It is recommended that full input tax credit for

[6] For example, Mauritius successfully managed to attract tourism investment by offering incentives in the 1980s and removed them once the sector gained momentum. Today, low tax rates are evenly applied across all sectors.

state-VAT should be allowed against luxury tax. Further, the threshold tariff should be increased to Indian rupees 1000 (\$16) so as to align with service tax. Similar changes need to be carried out in Uttar Pradesh.

In addition, the central government levies service tax at the rate of 12 percent on room tariff if it exceeds Indian rupees 1000 (\$16). A taxpayer has the choice of either claiming input tax credit on actual basis or on the basis of abatement of 40 percent of tariff value. In the hotel industry, a major component of expenditure relates to civil works for construction of the hotel. No input tax credit is allowed for tax paid on civil works. Consequently, the embedded input taxes become a cost for the hotel investor. This increases the cost of constructing a hotel by at least 5 percent, which in turn implies higher borrowing costs. It is recommended that full input tax credit of civil works should be allowed on actual basis in lieu of abatement.

Many popular tourist circuits require inter-state movement. Tourist coaches/cars traveling inter-state circuits are liable to road and passenger taxes. While moving between states, tourist vehicles pay road and passenger taxes that vary across states. Such levies are often a significant part of the cost of tour packages.^[7] The absence of a centralized tax payment facility leads to collection of taxes at each entry/state border. This leads to harassment, undue delay in travel, dissatisfaction among tourists, and encourages rent-seeking behavior. These taxes should be abolished in Bihar and Uttar Pradesh.



Mahabodhi temple Bodh Gaya, India

[7] According to estimates made by the Indian Tourist Transport Association (ITTA), the total road and passenger tax paid accounts for 23 percent of the cost of a three-day package for the Delhi-Agra-Jaipur Circuit.

Air travel in India is subject to the multiple levies including tax on air turbine fuel (ATF) (ranging from 20 to 38 percent across states), which undermines the competitiveness of Indian destinations. Some of these levies are in the nature of user charges and need to be continued. However those in the nature of taxes are cascading in nature and substantially increase the incidence of tax. Further, there is lack of transparency in collection of these taxes because they vary across airlines. This leads to dissatisfaction among the customers. It is recommended that the rates of ATF may be reduced to the general VAT rate to improve air connectivity.

The package of measures recommended above is consistent with the goods and services tax (GST) regime under discussion between the center and the states. If implemented, it would significantly reduce the cost of setting up and operating hotels in Bihar and UP, and improve the competitiveness of the sector in these states. Further, it would also provide inducement to airlines to operate more flights to these states, improving connectivity.

Investment conditions

Overall policies relevant to tourism investment are set at both central and state levels.

- *Investment policies:* The India Investment and Privatisation Policy and the Consolidated Foreign Direct Investment Policy allow 100 percent foreign investment in hotels and tourism. An on-going general policy allows disinvestment in central public state enterprises, including hotel and tourism enterprises.^[8] Under the Bihar Industrial Incentive Policy – 2011, tourism is included as an industry where development is to



Buddha image, Mahabodhi temple, Bodh Gaya, Bihar, India

[8] White Paper on Disinvestment of Central Public Sector Enterprises 31 July 2007

be encouraged with the full range of incentives available for all priority industries. The Uttar Pradesh Industrial and Service Sector Investment Policy – 2012^[9] targets transport infrastructure, micro, and small enterprises in the handicraft sector, and disinvestment and privatisation of state-owned hotels and guesthouses.^[10]

- *Foreign direct investment (FDI)* is allowed through a range of channels including investing in Indian companies, share investment, equity in partnerships, and venture capital funds. Government approval is required in restricted sectors and circumstances through the Foreign Investment Promotion Board, which provides a single window clearance for ministerial or cabinet approval, depending on the size of investment and other circumstances (the government route). Where there are no restrictions, government approval is not required (the automatic route). Sectors where there are no restrictions and up to 100 percent FDI is allowed include construction, which expressly includes hotels, resorts, and recreational facilities, subject to special conditions. In other sectors where no specific restrictions have been set, FDI is permitted up to 10 percent subject only to applicable laws/regulations, security, and other conditions. This covers tourism. Generally, proceeds of sale of shares and securities can be remitted; dividends and interest can be freely repatriated after taxes.
- The *general tax incentives* relevant to tourist investment have been discussed above.
- *Tourism parks*: The ministry of tourism has developed a strategy for the twelfth five-year plan to promote investment in tourism parks to increase the duration of tourist stays. Key features include:
 - Tourism parks should be developed adjacent to existing, developing or underdeveloped destinations with high potential.
 - Minimum area to be developed is 50 acres. The land will be provided by the state governments or private sector.
 - Ministry of tourism will set up a core committee on tourism parks, with representatives of ministries and various stakeholders.
 - State government to develop external road infrastructure.
 - Internal infrastructure will include site development, internal roads, water supply, sewerage, drainage, street lighting, landscaping, power distribution, common sewage treatment plants, and common solid waste management facilities.
 - Development, operation, and maintenance of internal distribution infrastructure will be ensured for a period of 20 to 25 years through a special purpose vehicle.
 - Commercial tourism activities within the tourism park will be left to private entrepreneurs.
 - Commercial tourism activities within the park can include budget hotels, resorts, convention centers, mini golf courses, retail spaces, food plazas, entertainment, and amusement.

[9] http://articles.timesofindia.indiatimes.com/2012-05-18/lucknow/31764828_1_industrial-policy-industrial-estates-industrial-units

[10] Based on a media release, policy not available to consultant; Information from Times of India to be reviewed when official policy released

- A single window clearance mechanism can be set up at state and central levels to expedite clearances of tourism park investment.

Public Private Partnerships^[11]

- The government of India has developed a detailed National Public Private Partnership (PPP) policy, the preamble of which reads:

“Government of India is committed to improving the level and the quality of economic and social infrastructure services across the country. In pursuance of this goal, the Government envisages a substantive role for Public Private Partnership (PPPs) as a means for harnessing private sector investment and operational efficiencies in the provision of public assets and services.”
- While tourism is not mentioned in the policy, the passenger road and rail infrastructure proposals are relevant to tourism investment.
- A recently published government of India Task Force Report^[12] has strongly endorsed the PPP model as a better means to finance, maintain, and develop airports, aeronautical services, and complementary facilities. The task force noted and endorsed the PPP proposal to develop the greenfield Kushinagar airport.^[13] It also recommended that 15 operational non-metro airports, including Gaya, be privatized through PPP concession arrangements in phase 1 (2012-2014) and Varanasi in phase II (2014-2016).

Institutional arrangements

Although tourism authorities of India, Uttar Pradesh, Bihar, and Nepal are all engaged in initiatives to promote and develop the Buddhist Circuit, these attempts are uncoordinated and not based on an integrated strategy.

A dedicated and impartial institutional capacity and financial allocation is needed to coordinate and drive implementation of an integrated strategy across states and countries. This capacity should be agreed upon by various parties and established as soon as possible since the successful implementation of the Buddhist Circuit strategy will depend on this.

Public, private, and community stakeholder cooperation and coordination is important for the success of a common strategy, establishing of a Buddhist Circuit stakeholder forum, and common brand identity.

[11] <http://pppinindia.com/>

[12] Report of the Task Force - Financing Plan for Airports July 2012

[13] Report of the Task Force - Financing Plan for Airports July 2012, Paragraph 5.2.1

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