

The Gig Economy Revolution in Nepal: Analyzing Challenges and Opportunities for Digital Governance

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Abstract

This study analyzes the rapid expansion of the gig economy in Nepal, which began in the early 2000s and has accelerated significantly due to technological advancements, increasing e-commerce, evolving consumer habits (the "new normal"), and the impacts of the COVID-19 pandemic. Through an interpretive review, this research explores the challenges and opportunities within Nepal's gig economy, focusing on current legal frameworks, the absence of social protections, and its broader economic effects. The findings highlight significant gaps in legal protections for gig workers, complex tax issues, and persistent consumer trust problems. The analysis reveals that gig work contributes approximately 6% to Nepal's GDP, with over 25% of gig workers originating from rural areas, indicating a major shift in employment dynamics. The study identifies various challenges and opportunities for government agencies to establish a more equitable and sustainable gig economy, offering practical policy recommendations for a changing labor market.

Keywords: Gig economy; digital governance; employment; economic resilience; Nepal.

Background

The term gig economy was first popularized by British-American journalist Tina Brown in 2009 and has its origins in short-term engagements, particularly within the music industry (Mahato et al., 2021). It is defined as a labor marketplace characterized by short-term jobs, involving primarily flexible and freelance work arrangements facilitated through online or digital platforms (Mahato et al., 2021; Zeid et al., 2024). This system challenges the traditional economy by allowing companies to hire workers on a temporary basis, either as needed or for specific projects, resulting in increased efficiency and reduced costs (Pilatti et al., 2024).

A gig refers to a specific task or assignment completed within this system and typically denotes flexible, temporary, or freelance jobs that are technology-enabled, connecting workers to clients or customers via online platforms (Kuhn & Galloway, 2019). Generally, gig workers are independent contractors who choose assignments that suit their schedules but usually do not receive traditional employment benefits or legal protections (Bajwa et al., 2018).

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In historical context, China initiated a wave of self-employment and entrepreneurship in the 1980s, which led to approximately 200 million workers joining the gig economy. Similarly, countries like India are projected to have around 1 million gig workers by 2030, while the United Kingdom currently has more than 1.5 million participants in the gig workforce (Reinhard et al., 2020). In the United States, the gig economy has deeply penetrated the labor market, with 36% of workers and 33% of companies extensively utilizing gig labor (Mahato et al., 2021; Zeid et al., 2024).

The COVID-19 pandemic further accelerated the growth of the gig economy, as widespread job losses compelled individuals to seek alternative sources of income. The pandemic forced many into unemployment and poverty, significantly affecting economies worldwide (Reinhard et al., 2020). However, the need for social distancing and remote work led to a sharp rise in gig work enabled by digital platforms, suggesting that crises can sometimes foster new employment opportunities (Poudel, 2024).

In Nepal, the gig economy is still in its early stages but has gained momentum since 2016, particularly in the software and technology sectors, which account for 43% of online freelance jobs in the country (Poudel, 2024). This shift toward gig-based employment provides flexible job opportunities for a diverse demographic, including students and professionals seeking supplementary income.



The evolution of e-commerce in Nepal is exemplified by Muncha House, the country's first department store, which ventured into online shopping under the name muncha.com in 2000. This platform primarily catered to non-resident Nepalis who wished to send gifts to their families and friends back home (Prasain, 2025). Such developments paved the way for the emergence of various digital platforms offering services ranging from ride-sharing and food delivery to freelance digital tasks, thereby creating diverse employment opportunities for students, professionals, and individuals seeking alternative sources of income (Amgain, 2025; Pradhan, 2021).

Internationally, Nepal's gig economy mirrors broader global trends, with a substantial portion of its workforce engaged in online freelance work. Approximately 43% of Nepal's online freelance activities are concentrated in software and technology development, indicating a strong alignment with the global demand for digital services (Agrawal, 2022).

Despite these growing opportunities, the gig economy in Nepal faces several significant challenges, particularly in the areas of worker rights and regulatory frameworks. Existing laws have not kept pace with the rapid evolution of the gig labor market. Gig workers often face job insecurity, a lack of social protections, and inconsistent income, further complicated by ambiguous legal standings concerning their rights and benefits. For example, outdated transportation laws have posed considerable regulatory challenges for ride-sharing platforms, highlighting the urgent need for legal and policy reforms (Paudel, 2023).

The Government of Nepal now stands at a crucial juncture in harnessing the potential of the gig economy while addressing its inherent challenges. In recent years, the gig economy has had a profound influence on daily life—from homes and neighborhoods to rural villages and urban centers. This emerging economic model is characterized by digital platforms facilitating services such as ride-sharing, food and package delivery, the sale of handmade goods, on-demand labor, and property rentals. Its impact spans various sectors, transforming employment roles, particularly those of taxi drivers and food delivery workers, and showcasing the expansive reach of this new economic structure.

To fully capitalize on the benefits of the gig economy, the Government of Nepal must enact supportive regulations tailored to the country's unique socio-economic context. This includes initiatives to enhance digital literacy and expand access to technology for all citizens. Addressing the gender gap in gig work, particularly in sectors like ride-sharing and delivery services, is also essential to ensure inclusive participation and empower women and marginalized populations in the workforce (Bishwakarma, 2025).

By developing comprehensive policies that strike a balance between labor flexibility and worker protection, the Government of Nepal can promote a more equitable and sustainable gig economy. This strategy would not only contribute to national economic growth but also help reduce unemployment, especially among youth and marginalized communities (Thapa, 2024). Furthermore, as disparities in pay and working conditions persist, the need for robust regulatory frameworks to safeguard gig workers from exploitation and ensure fair compensation becomes increasingly urgent. Recognizing these challenges and proactively implementing protective policies will be vital for building a fairer labor market in Nepal as the gig economy continues to expand (Thapa, 2024; Poudel, 2024).

Gig Economy: Literature Review

The gig economy, while offering flexibility and employment opportunities, also faces significant challenges that governments worldwide struggle to address. One of the most pressing concerns is regulatory and legal ambiguity. In many countries, there is no clear framework for classifying gig workers as either employees or independent contractors. This classification is critical, as it directly affects their access to social security benefits, labor protections, and minimum wage laws (Khanal & Khanal, 2024).

Additionally, financial insecurity and lack of benefits are prevalent issues. Gig workers typically do not receive employer-sponsored health insurance, pensions, or unemployment benefits, leaving them vulnerable to income fluctuations and economic downturns (Vadavi & Sharmiladevi, 2024). The

instability of gig work further exacerbates these challenges. Research indicates that gig workers often earn inconsistent incomes due to market fluctuations, demand variability, and platform-driven changes in policies (Bishwakarma et al., 2024).

Another significant issue is worker exploitation and algorithmic control. Digital platforms often impose strict performance metrics, dynamic pricing models, and opaque rating systems that disadvantage workers. These systems contribute to job insecurity and diminish workers' bargaining power (Zeid et al., 2024). Furthermore, social protection mechanisms are generally inadequate. Gig workers frequently lack access to legal recourse in cases of unfair dismissal, workplace discrimination, or safety violations, especially in developing economies, where informal employment is already widespread (Batmunkh, Fekete-Farkas, & Lakner, 2022).

Despite these challenges, the gig economy presents several opportunities that, if effectively regulated, could benefit both workers and governments. A major advantage is job creation and economic inclusion, particularly for marginalized groups such as women, students, and individuals with limited access to formal employment (Bishwakarma et al., 2024). The digital nature of gig platforms lowers entry barriers, enabling broader participation in the global labor market and fostering entrepreneurship and digital inclusion (Vadavi & Sharmiladevi, 2024).

Work flexibility and autonomy are also key attractions. Gig workers can set their own schedules, allowing for better work-life balance, an attribute especially valued by younger generations and caregivers (Zeid et al., 2024). Furthermore, advancements in technology and the expansion of digital platforms have facilitated remote work, cross-border freelancing, and access to a wider range of employment options beyond traditional job markets (Batmunkh et al., 2022). Another promising area is government revenue generation. Through proper regulation and taxation, gig work can be integrated into the formal economy, increasing national revenue while simultaneously offering workers greater protections (Khanal & Khanal, 2024).

However, significant research gaps persist in the study of the gig economy, hindering the formulation of effective policies and worker protections. One major gap is the absence of comprehensive legal frameworks specifically addressing gig work. Most existing labor laws were designed for traditional employment structures and therefore leave gig workers in a legal gray area (Khanal & Khanal, 2024).

Additionally, the lack of reliable data on gig employment trends makes it difficult to assess the full impact of the gig economy on national and global labor markets. Many government surveys and labor force reports fail to capture gig employment accurately, leading to its underrepresentation in economic policymaking (Bishwakarma et al., 2024).

Another critical research gap is in financial inclusion and worker support mechanisms. There is limited research on how services such as microloans, insurance, and pension schemes could be adapted to suit gig workers' needs and ensure their financial stability (Vadavi & Sharmiladevi, 2024). Likewise, there is insufficient focus on workforce training and digital literacy, especially in developing economies, where many gig workers lack the technological skills required to maximize their earning potential on digital platforms (Batmunkh et al., 2022).

Finally, gender disparities in gig work remain underexplored. Although studies indicate that women are underrepresented in the gig economy due to safety concerns, societal constraints, and wage discrimination, there is little research on strategies to enhance their participation and protections (Zeid et al., 2024).

Addressing these research gaps is essential for creating inclusive, sustainable, and well-regulated gig work environments that support the well-being of workers while contributing to broader economic development.

Methodology of the Study

This study employs a qualitative research method using an integrative literature review approach to synthesize existing literature on the gig economy in Nepal, focusing on the challenges it presents and opportunities for government intervention. An integrative literature review is characterized by the systematic combination and evaluation of previous research in an area where knowledge gaps or empirical limitations exist, as described by Paul and Criado (2020) and Torraco (2005, 2016).

The primary aim of this review is to provide a foundation for future studies by systematically integrating, evaluating, and synthesizing evidence from existing literature. To ensure credibility and diversity, relevant literature was sourced from scholarly databases such as Google Scholar, ResearchGate, and Scopus, as well as from reputable media articles, government reports, and publications by international organizations (e.g., ILO, World Bank).

Studies included in the review span the period from 2000 to 2024 and were selected based on their relevance to key themes such as gig work trends, regulatory frameworks, socioeconomic impacts, and policy responses. Each study was assessed for methodological rigor and relevance to the research objectives.

A thematic analysis was conducted, and the findings were categorized into the following key themes:

- Growth and trends
- Regulatory landscape
- Socioeconomic impacts
- Technological transformation
- Stakeholder perspectives
- Challenges
- Opportunities
- Global best practices
- Policy recommendations

This systematic synthesis reveals patterns, identifies research gaps, and outlines policy implications. It contributes to a deeper understanding of the ongoing transition toward a gig economy in Nepal and provides guidance for the government in planning sustainable labor market interventions.

Results and Discussions

Table 1

An Integrative Literature Review (ILR) focused on gig economy in Nepal

Contributor	Study Aim	Research Strategy	Proposed Stages	Major Contributions	Data Analysis Procedure
Agrawal, S. (2022)	To highlight the experiences of gig workers in Nepal through interviews with platform workers.	Utilizes journalistic reports and worker interviews to analyze gig economy dynamics.	Identification of gig work trends, literature review, thematic categorization	Demonstrates how gig workers sustain Nepal's economy despite job insecurity and lack of benefits.	Qualitative content analysis and narrative synthesis.
Amgain, G. (2025)	To assess the opportunities and challenges in Nepal's gig economy.	Reviews economic reports, policies, and expert opinions; systematic search of digital economy trends.	Problem identification, data collection, thematic coding, conclusion	Highlights gig work as a driver for self-employment but points out legal uncertainties and social security gaps.	SWOT analysis and policy evaluation.
Batmunkh, A., Fekete-Farkas, M., & Lakner, Z. (2022)	To analyze global gig economy research trends through bibliometric analysis.	Employs bibliometric review methods with Scopus and Web of Science databases.	Data extraction, bibliometric mapping, thematic synthesis	Highlights global gig economy growth patterns and future research directions.	Citation analysis and keyword mapping.
Bishwakarma, S. (2024)	To discuss challenges of gig work in Nepal, focusing on employment rights.	Reviews media articles, labor reports, and expert interviews; identifies major concerns from labor perspectives.	Literature search, content analysis, data synthesis	Identifies issues like job insecurity, lack of social security, and need for government regulation.	Qualitative content analysis.
Bishwakarma, S., Devkota, N., & Bista, S. (2024)	To explore shifting work dynamics in Nepal's gig economy.	Conducts a systematic review of employment trends, labor statistics, and	Data collection, thematic coding, comparative synthesis	Analyzes the impact of digital labor platforms on traditional employment	Binary logit regression model, thematic and trend analysis.

Contributor	Study Aim	Research Strategy	Proposed Stages	Major Contributions	Data Analysis Procedure
		government policies.		models.	
Institute for Integrated Development Studies (IIDS) (2022)	To assess Nepal's digital economy and IT's role in the gig sector.	Reviews technological advancements, IT policy reports, and labor market changes.	Data collection, digital economy review, policy impact synthesis	Identifies IT infrastructure as a key factor in expanding gig opportunities.	Policy analysis and IT sector trend evaluation.
Khanal, S., & Khanal, M. P. (2024)	To examine gig economy regulations and Nepal's potential benefits.	Reviews labor laws, government policies, and regulatory gaps.	Policy review, legal document analysis, thematic synthesis	Suggests policy reforms for fair wages, worker protections, and taxation models.	Comparative legal analysis.
Mahato, M., Kumar, N., & Jena, L. K. (2021)	To assess the post-COVID-19 workforce and gig economy transformation.	Conducts a blended review of gig economy challenges and workforce adaptation.	Literature synthesis, workforce impact evaluation, policy recommendations	Highlights how remote work and gig platforms changed employment structures.	Work-applied management framework.
Paudel, M. (2023)	To explore both the opportunities and risks associated with Nepal's gig economy.	Reviews government reports, economic data, and global case studies.	Literature review, SWOT analysis, policy recommendations	Discusses gig economy's role in financial inclusion but highlights weak regulatory frameworks.	Economic trend evaluation and policy impact assessment.
Phuya, S. (2024)	To assess legal protections for Nepalese gig workers.	Conducts a systematic review of worker rights, labor law gaps, and government policies.	Legal review, identification of gaps, policy synthesis	Recommends stronger labor laws and social security inclusion for gig workers.	Legal content analysis and case law review.
Pradhan, S. (2021)	To analyze the state of the gig economy in Nepal.	Conducts an integrative review of economic reports, labor statistics, and	Data collection, categorization, economic analysis	Highlights the potential for economic growth but warns of unregulated labor	Trend analysis and comparative assessment.

Contributor	Study Aim	Research Strategy	Proposed Stages	Major Contributions	Data Analysis Procedure
		platform data.		conditions.	
Prasain, K. (2025)	To examine Nepal's legal response to digital commerce, including gig platforms.	Reviews e-commerce law history and its relation to gig work regulations.	Policy review, digital economy impact assessment	Highlights long delays in passing laws regulating gig platforms.	Legal and economic policy analysis.
Thapa, D. (2024)	To study labor participation and income distribution in Nepal's gig economy.	Reviews labor force surveys, employment trends, and income inequality reports.	Data collection, thematic synthesis, trend analysis	Highlights uneven income distribution and rising precarity in gig jobs.	Labor data analysis and statistical comparison.

Source: Integrative literature review on gig economy in Nepal, as quoted by Bhul (2025)

The integrative literature review on the gig economy in Nepal, presented in Table 1, highlights several salient issues. Among the most pressing is the exclusion of gig workers from labor protections, leaving them without access to social security or employment benefits (Bishwakarma, 2024; Phuya, 2024). Although the gig economy has the potential to promote financial inclusion and self-employment (Paudel, 2023; Thapa, 2024), growing concerns have emerged regarding income inequality and the proliferation of precarious jobs.

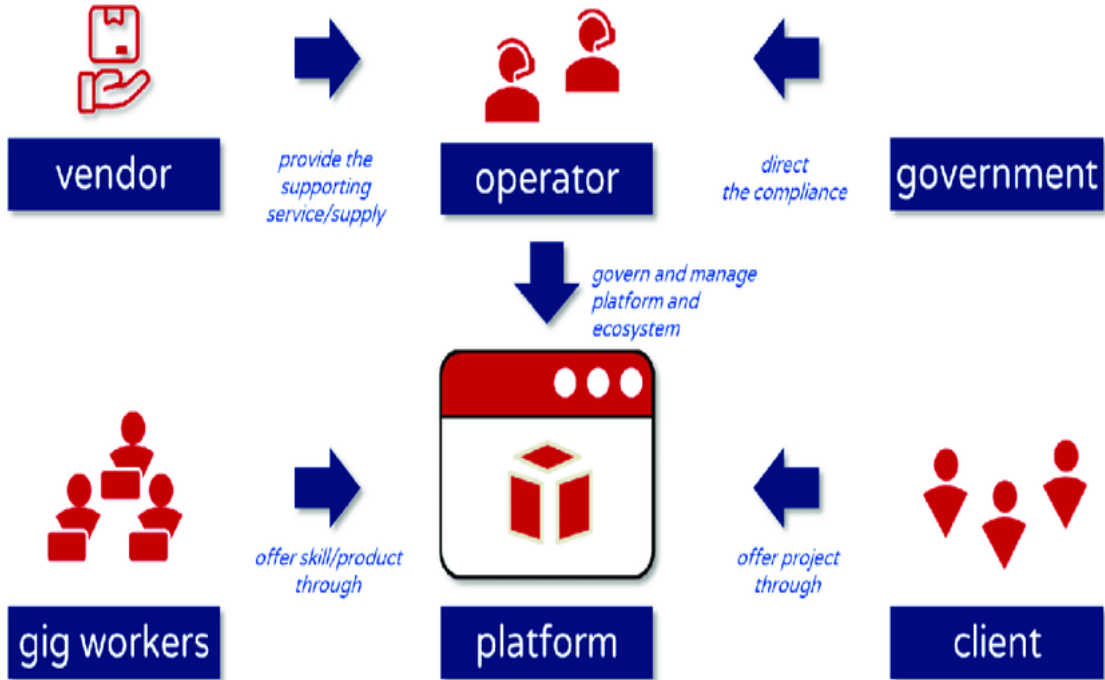
The existing regulatory framework has struggled to keep pace with the rapid growth of digital platforms, resulting in delays in the implementation of essential labor laws (Khanal & Khanal, 2024; Prasain, 2025). Moreover, inadequate IT infrastructure and persistent barriers such as limited access and poor training further hinder the development of a robust gig economy (IIDS, 2022; Bishwakarma et al., 2024).

Global evidence suggests that adopting international best practices in regulation can ensure fair wages and worker protections while simultaneously fostering innovation. Therefore, achieving a regulatory balance is crucial for Nepal to harness the benefits of the gig economy while safeguarding workers' rights and ensuring a sustainable and equitable labor force.

The interrelated relationships illustrated in the following diagram depict a platform-based ecosystem, where the platform functions as an intermediary among multiple stakeholders, vendors providing support services, gig workers offering skills or products, clients commissioning projects, and the government overseeing compliance. The platform operator serves as the governing authority within this ecosystem.

Arrows in the diagram indicate the directions of service provision, skill contribution, project offerings, and compliance-related directives. These direct connections portray the platform as the

central conduit through which interactions between these diverse groups are mediated. This model also raises several critical questions about the extent of the operator's control and influence, the precarious nature of gig work, the dependency of vendors, the power dynamics between clients and workers, and the role of government regulation.



Growth and Trends of the Gig Economy in Nepal

This section presents synthesized findings from the literature on the gig economy in Nepal, focusing on key thematic areas.

The gig economy in Nepal has experienced significant growth in recent years, fueled by rapid digitalization, evolving consumer behavior, and increasing reliance on online services. Advancements in information technology have contributed to the transformation of traditional employment models, enabling individuals to engage in more flexible work arrangements. The COVID-19 pandemic further accelerated this shift by compelling businesses to transition to digital platforms, thereby increasing opportunities in e-commerce and freelancing (Nepal Rastra Bank, 2024).

According to the Nepal Rastra Bank (2024), digital transactions in Nepal reached NPR 5.27 billion during the first four months of the fiscal year 2081/82 (2024/25), marking a 50.14% increase compared to the same period in the previous year. This surge reflects not only the growing adoption of digital services by consumers but also the rising prominence of the gig economy within Nepal's broader economic landscape.

Key sectors contributing to the gig economy include ride-sharing, freelancing, food delivery, e-commerce, and digital marketing. Platforms such as Tootle, Pathao, and inDrive have revolutionized urban transportation in cities like Kathmandu, Pokhara, Biratnagar, and Chitwan by connecting riders and drivers through mobile applications (Pradhan, 2021). Similarly, food delivery services like Foodmandu and Bhoj have supported the expansion of online commerce in these urban centers.

In the freelancing sector, platforms such as Nepal Freelancers and Bhatbhateni provide professionals with access to global markets, offering services in IT, content creation, and graphic design (Federation of Nepalese Chambers of Commerce and Industry [FNCCI], 2023). Furthermore, the growth of outsourcing firms such as Leapfrog Technology, Cedar Gate Technology, and Incessant Rain Animation Studio has helped position Nepal as a rising contributor to the global gig workforce.

Demographic trends indicate that gig workers in Nepal are predominantly young professionals aged 18–35, with a notable increase in women’s participation in sectors such as digital marketing and online retail (Thapa, 2024). While urban areas host the majority of gig workers due to superior internet infrastructure, rural participation is also increasing. In the fiscal year 2078/79, over 25% of gig workers originated from rural areas, signifying a gradual shift in national employment dynamics (Agrawal, 2022).

In 2076 BS, the Government of Nepal launched the Digital Nepal Framework with the goal of stimulating economic growth through digital technology. However, four years into the initiative, implementation progress stands at only 30%, hindered by disorganized coordination among the responsible ministries. Moreover, the absence of supporting legal frameworks has resulted in governance and regulatory gaps. There is an urgent need for reforms in the Data Protection Act and Cyber Security Policy to establish a secure and trustworthy digital environment.

By comparison, the informal economies of the world’s largest and second-largest economies—namely the United States and China—account for approximately 7.3% and 12.7% of their GDPs, respectively. In stark contrast, Nepal’s informal economy is estimated at 41%, posing a significant barrier to economic formalization and regulatory enforcement.

According to FNCCI (2023), the gig economy currently contributes around 6% to Nepal’s GDP, a figure expected to grow as more individuals turn to gig work for supplemental income during periods of economic instability. While the gig economy offers opportunities for employment and financial independence, its long-term sustainability depends on the establishment of a strong regulatory framework and the provision of necessary infrastructure.

As the sector gains increasing recognition from government agencies and as digital transformation efforts advance, Nepal’s gig economy is well-positioned for accelerated growth. Supporting this trajectory through targeted interventions could unlock meaningful avenues for economic diversification and job creation, thereby reinforcing the urgency for comprehensive reforms to

overcome current challenges and fully leverage the potential of the gig economy (Bishwakarma et al., 2024).

Regulatory and Policy Landscape

The regulatory framework governing the gig economy in Nepal is currently undergoing significant evolution to better address the distinctive challenges and opportunities associated with this rapidly expanding sector. Traditionally, Nepal's labor laws have not explicitly accounted for gig workers, who typically function as independent contractors rather than formal employees (Dubal, 2019). This legal ambiguity raises critical questions regarding the applicability of existing labor protections to gig workers. For example, while the Labor Act of 1992 and the Industrial Relations Act of 2017 define various rights and protections for formal employees, gig workers often fall outside these protections, resulting in significant gaps in legal rights and access to benefits (Mahato et al., 2021).

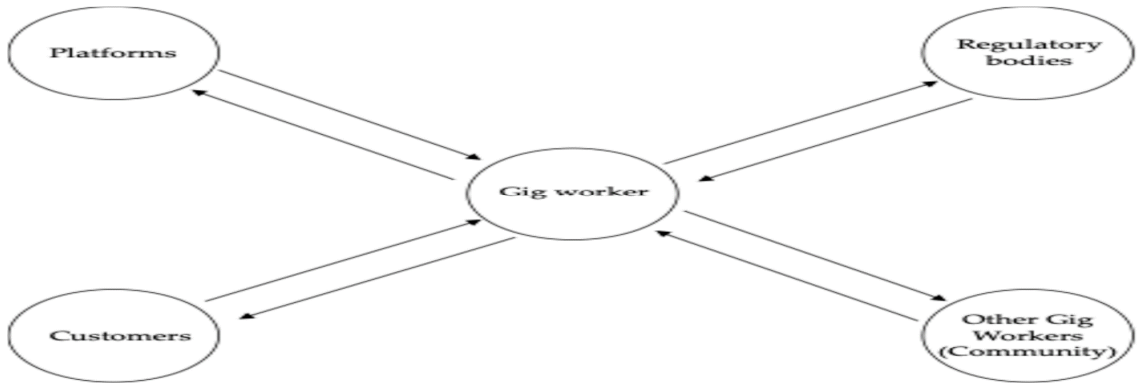
The recent enactment of an e-commerce law marks a notable advancement in establishing a more structured regulatory environment for gig work, particularly within sectors such as digital labor platforms and e-commerce (Prasain, 2025). This legislation mandates that all entities engaged in electronic commerce must register with relevant government authorities, including the Department of Commerce, Supplies, and Consumer Protection. These provisions are intended to enhance accountability and transparency in online markets by addressing long-standing concerns regarding consumer protection and fraud in unregulated digital transactions (Khanal & Khanal, 2024).

Furthermore, the law establishes a legal framework for formalizing relationships between gig workers and platforms. It requires that written or electronic contracts be signed before the provision of goods or services through digital platforms, thereby ensuring that the rights and obligations of both parties are clearly defined (Prasain, 2025). In addition, the law introduces consumer protections such as the right to return unsatisfactory goods within a specified period, thereby fostering greater consumer confidence in e-commerce.

In terms of taxation, the government is developing new regulatory measures that would obligate digital labor platforms to collect and remit taxes on behalf of gig workers. This initiative is designed to ensure gig workers' contributions to the national tax system while enhancing the government's capacity to monitor and regulate economic activities within the gig economy. Nevertheless, the practical implementation of these regulations presents several challenges, particularly in determining appropriate taxation for gig workers who often have irregular income streams and may operate across multiple jurisdictions (Pinsof, 2016). The lack of a clear classification of gig workers as either employees or independent contractors further complicates taxation efforts.

Social security for gig workers remains a pressing concern within the current policy framework. Unlike traditional employees, gig workers generally lack access to fundamental employment benefits such as health insurance, retirement plans, and paid leave (Khanal & Khanal, 2024). To address this gap, the government must explore policy options that provide social protection to gig workers. One potential solution is for public agencies to collaborate with digital platforms to design insurance and pension schemes specifically tailored to the unique characteristics of gig work (Bishwakarma, 2024).

Overall, the emerging policy landscape reflects a growing recognition of the rights and needs of gig workers. While the recent legal developments concerning e-commerce and platform work provide a foundation for formalization, much work remains to be done. A more inclusive and comprehensive regulatory framework, one that addresses classification, taxation, labor protections, and social security, is essential for the sustainable development of the gig economy in Nepal (Thapa, 2024).



Challenges in Regulating the Gig Economy

The rapid expansion of the gig economy in Nepal presents numerous challenges that hinder effective regulation and oversight. As increasing numbers of individuals engage in gig work as a source of income, existing regulatory frameworks have struggled to keep pace with the dynamic nature of digital labor (Amgain, 2025). Many gig workers operate within a legal gray area, often without access to the protections afforded to traditional employees (Bishwakarma et al., 2024). Characterized by flexible work arrangements, short-term contracts, and on-demand services, the gig economy presents significant regulatory challenges for both government institutions and digital labor platforms.

The growing volume of consumer complaints related to online transactions further highlights the urgent need for a structured and responsive regulatory approach (Phuya, 2024). A clear and inclusive legal framework is essential to define the rights and responsibilities of all stakeholders involved in the gig economy. These regulatory challenges in the Nepalese context can be categorized into several key areas:

Legal Ambiguities

One of the most critical regulatory challenges is the lack of specific labor laws designed to address the status and needs of gig workers. The absence of formal legal recognition leaves gig workers unprotected under current labor laws (Dubal, 2019). This legal ambiguity results in confusion regarding both workers' rights and employer responsibilities, making legal recourse difficult in cases of exploitation or unfair treatment (Mahato et al., 2021). As Khanal and Khanal (2024) emphasize,

the undefined legal standing of gig workers complicates the establishment of clear and enforceable obligations for all parties involved.

Taxation Issues

Taxation of gig workers and digital platforms remains a complex issue due to the variable and often unpredictable nature of gig income. Many workers function as independent contractors and may be unaware of their tax responsibilities (Thapa, 2024). The absence of clear tax guidelines makes compliance challenging for both workers and platforms (Khanal & Khanal, 2024), resulting in potential revenue losses for the government and financial instability for workers who lack steady income (Pinsof, 2016).

Social Protection Gaps

Gig workers typically do not have access to essential benefits such as health insurance, pension plans, or paid sick leave. This absence of social safety nets renders them particularly vulnerable during economic downturns or personal emergencies (Vadavi & Sharmiladevi, 2024). The lack of protections contributes to heightened anxiety and insecurity among gig workers, who must navigate uncertain and often unstable income streams (Bishwakarma, 2024).

Job Security Concerns

The inherently precarious nature of gig work contributes to widespread job insecurity. Workers are often exposed to sudden income loss due to fluctuations in service demand, which can lead to significant financial hardship for those reliant on gig work as their primary source of income (Thapa, 2024). The unpredictability of work availability makes long-term financial planning difficult and increases economic stress (Khanal & Khanal, 2024).

Worker Exploitation

Exploitation within the gig economy is a growing concern, with gig workers frequently facing issues such as low pay, lack of bargaining power, and limited transparency in platform operations. Many workers are subject to algorithmic management systems that determine pay rates and job availability, often without human oversight (Bishwakarma et al., 2024). Additionally, limited awareness of labor rights among workers increases the risk of underpayment and mistreatment (Mahato et al., 2021).

Consumer Trust Issues

The proliferation of online platforms and e-commerce activities has led to an increase in consumer complaints concerning fraud, poor-quality goods, and unregulated service providers. Many platforms continue to operate without formal registration or adherence to consumer protection regulations,

eroding trust among consumers (Pradhan, 2021). This lack of trust can discourage participation in online commerce and hinder the growth of Nepal's digital economy (Phuya, 2024).

Digital Divide and Limited Internet Access

Although urban areas in Nepal have embraced digital platforms, participation from rural regions remains limited due to poor internet infrastructure and low levels of digital literacy (Thapa, 2024). The slow implementation of Nepal's Digital Framework—progressing at only 30% since fiscal year 2076 BS, has further impeded the development of a fully inclusive digital economy (Bishwakarma et al., 2024).

In summary, the challenges facing the regulation of the gig economy in Nepal are multifaceted and demand a comprehensive, multidimensional policy response. Addressing legal ambiguities, tax compliance, social protection, job security, worker exploitation, consumer trust, and the digital divide is vital for building a fair and sustainable gig economy. The development of a clear regulatory framework that safeguards the rights of gig workers while promoting innovation and economic growth is essential. By proactively addressing these challenges, Nepal can foster a more equitable gig economy that benefits workers, consumers, platforms, and the broader national economy.

Opportunities for Government Intervention

Despite the significant challenges faced by gig workers in Nepal, the gig economy also presents numerous opportunities for government intervention that could lead to positive outcomes for both workers and the broader economy. The government has the potential to play a transformative role in shaping the gig economy by implementing policies and programs that not only protect workers' rights but also enhance their well-being and productivity. This section outlines key areas where strategic intervention could foster a more equitable and sustainable gig economy in Nepal:

- **Expanded Access to Digital Marketplaces:** The gig economy enables individuals and businesses to connect with a broader customer base via online platforms. E-commerce and digital service platforms, such as Pathao, inDrive, Taximandu, Foodmandu, Bhoj, and Nepal Freelancers, offer new avenues for local businesses and professionals to market goods and services online (FNCCI, 2023). Additionally, online labor platforms allow Nepali workers to participate in global markets, reducing dependence on traditional remittances and generating new income streams (Graham et al., 2017).
- **Flexible Employment and Business Growth:** Nepali companies benefit from a freelance workforce with specialized skills, reducing the need for long-term employment commitments and lowering operational costs while promoting innovation (Ghosh et al., 2023). Digital platforms also enable entrepreneurs and small businesses to expand without significant investments in physical infrastructure by simplifying transactions and enhancing customer engagement (World Bank, 2016).
- **Consumer Convenience and Service Expansion:** Consumers enjoy faster access to services such as ride-sharing, food delivery, and digital marketing. The gig economy improves service efficiency and responsiveness to evolving consumer demands (Thapa,

2024). Furthermore, knowledge-based gigs, such as IT consulting and data science, allow businesses to hire skilled professionals on demand (Bishwakarma et al., 2024).

- **Economic Diversification and Employment Generation:** With the gig economy contributing approximately 6% to Nepal's GDP, its growth offers significant employment opportunities, particularly for youth and women in areas such as online retail and digital marketing (FNCCI, 2023). Remote work and online outsourcing also create opportunities for rural populations, helping to reduce economic disparities between urban and rural areas (Agrawal, 2022).
- **Digital Literacy and Technological Access:** Many gig workers in Nepal face challenges related to digital literacy and limited access to technology. Lacking the necessary skills or resources to effectively navigate digital platforms can limit their ability to optimize income and access opportunities (Amgain, 2025). This digital divide underscores the need for targeted interventions to build the digital capabilities of gig workers.
- **Regulatory Compliance of Gig Platforms:** The rise of gig platforms operating without sufficient oversight raises concerns regarding labor law compliance. The absence of a dedicated regulatory body complicates efforts to ensure worker protections and consistent platform practices (Khanal & Khanal, 2024). Addressing this gap is essential for safeguarding workers' rights and ensuring fair treatment.

Addressing these opportunities through targeted government intervention, infrastructure development, and regulatory improvements could foster fair labor practices and sustainable economic growth in Nepal's gig economy.

Comparative Insights from Global Best Practices

Examining international best practices in the gig economy provides valuable insights for Nepal as it seeks to regulate this rapidly expanding sector. Countries like India have made notable advancements in recognizing and protecting gig workers through comprehensive labor codes, including provisions specifically designed for gig workers (Chaudhary & Remesh, 2021). For instance, India has introduced a social security fund supported by contributions from both gig workers and the platforms they work for, offering benefits such as health insurance and pension schemes (HB et al., 2023).

In the United States, ongoing debates regarding the classification of gig workers highlight the balance between worker protection and maintaining innovation within the gig sector. Legislative measures such as California's Assembly Bill 5 (AB5) attempt to extend labor protections to gig workers while raising concerns about their potential impacts on platform sustainability (Dubal, 2019; Pinsof, 2016).

The European Union has proposed legislation aimed at ensuring gig workers receive the same rights and protections as traditional employees, demonstrating a commitment to fair labor practices within the digital economy (European Commission, 2021). Similarly, Brazil has implemented regulations

requiring platforms to disclose transparent information about earnings and working conditions, empowering workers to make informed decisions (De Stefano & Aloisi, 2018).

By analyzing these international practices, Nepal can draw important lessons on how to construct a regulatory framework that both accommodates the unique nature of gig work and ensures strong protections for workers. This approach will be critical in developing a fair, inclusive, and resilient gig economy.

Current Considerations and Settlement Measures

The ongoing transformation of Nepal's gig economy represents a pivotal opportunity for the country's economic future, particularly in addressing persistent unemployment and adapting to a changing global labor landscape. As traditional job markets become increasingly saturated and uncertain, the gig economy offers a flexible and accessible alternative for income generation.

To ensure the long-term viability of this sector, the government must adopt proactive measures, including the modernization of outdated legal frameworks, coordination among ministries, and the development of a comprehensive legal infrastructure tailored to the specific dynamics of gig work. Reforms in these areas could not only empower gig workers but also spur innovation and entrepreneurship, contributing to a dynamic and resilient economy.

However, current legal provisions continue to hinder the sector's development. For example, the Ministry of Physical Infrastructure and Transport (2019) reported that 26 ride-sharing platforms, including Tootle, inDrive, and Pathao, were operating despite legal ambiguities. The Vehicle and Transport Management Act 2049, particularly Sections 8(20) and 12, prohibits the use of private vehicles for commercial purposes, thereby restricting innovation and job creation in the gig sector. This legislative misalignment highlights the urgent need for reform in line with modern employment trends characterized by flexibility and digital integration.

In addition, gig workers often lack access to essential benefits such as social security, health insurance, and formal labor protections. These gaps perpetuate socio-economic inequalities, particularly for workers who operate within the informal labor sector. The COVID-19 pandemic has further intensified job competition and exposed the vulnerabilities of gig workers, many of whom face social stigma due to the non-traditional nature of their work.

Despite these challenges, the gig economy holds potential as a solution to Nepal's high youth unemployment rates. Policymakers and stakeholders are increasingly advocating for a holistic approach that includes legal reform, digital infrastructure development, and the promotion of digital literacy and entrepreneurship. Aligning national laws with global standards could promote innovation while ensuring gig workers are adequately protected.

Efforts to formalize the gig economy will also enhance transparency, accountability, and stakeholder confidence. Collaborations with digital platforms to implement social security schemes and financial literacy programs can significantly improve the quality of life for gig workers. Ultimately, by addressing these critical issues, Nepal can build a fair, inclusive, and forward-looking labor market that contributes meaningfully to sustainable economic development in the digital era.

Future Prospects and Policy Recommendations

Strategic policymaking aimed at sustainable growth, supported by robust legal monitoring, an effective complaints-handling mechanism, inclusive tax coverage, and the safeguarding of gig workers' rights, constitutes the core of digital governance for the future of Nepal's gig economy. The formulation of comprehensive labor policies that clearly define the rights and responsibilities of gig workers is an essential first step. Such policies should ensure fair remuneration, job security, and access to necessary benefits.

In partnership with digital platforms, the government can facilitate the introduction of social security schemes tailored to the specific needs of gig workers. These may include health insurance, retirement plans, and paid leave, thereby promoting the socioeconomic well-being and security of this segment of the workforce. Moreover, financial literacy training programs should be prioritized to empower gig workers with skills for managing their income and planning for long-term financial stability. Upskilling initiatives aligned with current and future demands of the gig sector will also enhance the employability and competitiveness of gig workers in a dynamic labor market.

The promotion of entrepreneurship within the gig economy can empower individuals to generate self-employment opportunities, thereby contributing to economic diversification and innovation. To ensure the success of such initiatives, it is imperative for the government to maintain continuous dialogue with gig workers, digital platform operators, and other key stakeholders. This will foster policies that are inclusive, responsive, and effective in addressing the needs of all parties involved.

Achieving these goals would enable Nepal to nurture a robust and equitable gig economy, one capable of addressing both the challenges and opportunities presented by this rapidly evolving sector.

Conclusion

Since its emergence in the early 2000s, Nepal's gig economy has expanded significantly due to rapid digitalization, evolving employment trends, and the increasing reliance on online services and e-commerce. Currently contributing approximately 6 percent to the national GDP, the gig economy is poised for continued growth as more individuals turn to gig work as an alternative source of income.

Sectors such as ride-sharing, freelancing, e-commerce, and delivery services have thrived. Platforms like Tootle, Pathao, and inDrive have transformed urban mobility in cities such as Kathmandu, Pokhara, Biratnagar, and Chitwan. Similarly, food delivery services like Foodmandu and Bhoj have simplified access to restaurant meals. Freelancing platforms such as Nepal Freelancers connect professionals in IT, content writing, and graphic design to global markets. The growing prominence of outsourcing companies like Leapfrog Technology and Incessant Rain Animation Studio further consolidates Nepal's position within the global gig workforce.

The majority of gig workers in Nepal are young professionals aged 18–35, though increasing numbers of women are now participating, especially in digital marketing and online retail. Rural engagement is also on the rise; in fiscal year 2078/79, more than 25% of gig workers originated from rural areas. These trends underscore the gig economy's potential to generate employment, promote

economic independence, and enhance financial inclusion, particularly for individuals marginalized in traditional labor markets.

For businesses, the gig economy provides flexibility and access to global talent at lower operational costs. Freelancers benefit from location-independent work and international income opportunities. Furthermore, online outsourcing and remote work offer pathways for low-income workers to compete in the global digital labor market.

Despite its potential, Nepal's gig economy faces significant challenges. The absence of a formal regulatory framework leaves gig workers without job security, social protection, or standardized wages. They are typically excluded from benefits such as health insurance, retirement savings, and paid leave, conditions that threaten their financial stability. Gig work, forming part of Nepal's informal economy (approximately 41%), remains difficult to regulate, making labor rights enforcement particularly challenging. Additional barriers include restrictions on foreign transactions, which hinder international payments for freelancers.

Although the Digital Nepal Framework, introduced in 2076 BS, aimed to leverage digital technologies for economic advancement, its implementation remains limited, reaching only 30%, due to poor coordination among ministries and the lack of legal infrastructure. Concerns over data confidentiality and power imbalances between platforms and workers further complicate matters. Gig platforms often unilaterally determine employment terms, transferring risks to workers while offering little in terms of long-term career development.

To address these issues, Nepal urgently requires comprehensive legislative reforms. Labor laws, taxation policies, and social security provisions must be adapted to protect gig workers. Regulatory frameworks should clearly define worker classifications, establish fair wage-setting mechanisms, and enforce anti-discrimination and anti-exploitation measures. Simultaneously, data protection legislation and cybersecurity policies are needed to safeguard digital labor.

With the adoption of these measures, Nepal can establish a sustainable and inclusive gig economy that fosters innovation, employment, and economic well-being. A clear and comprehensive policy framework, backed by strong legal infrastructure, will enable the government to position itself as a central stakeholder in the global digital workforce.

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Conflict of Interest Statement

The author declares no conflicts of interest related to this study.

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