

Tourism Cooperatives of Nepal: Challenges and Opportunities

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Abstract

Tourism cooperatives in Nepal represent an emerging model of community-based economic organization that integrates cooperative principles with sustainable tourism development through micro credit mobilization on community mobilization. These institutions have the potential to empower local communities, enhance equitable benefit distribution, and promote inclusive tourism practices. However, despite their promise, tourism cooperatives face numerous structural, institutional, and operational challenges. This study critically examines the opportunities and challenges of tourism cooperatives in Nepal through a qualitative review of existing literature on cooperatives, rural tourism, and sustainable tourism development. The findings reveal that while tourism cooperatives can foster financial inclusion, community participation, and cultural preservation, they are constrained by weak governance, limited access to capital, inadequate professional management, and policy inconsistencies. The study argues that strengthening institutional frameworks, enhancing capacity building, and promoting collaborative governance are essential to unlocking the full potential of tourism cooperatives. The paper contributes to the growing discourse on community-based tourism and cooperative development in Nepal and offers policy recommendations for sustainable and inclusive tourism growth in community empowerment financially.

Keywords: Community-based tourism, Cooperative governance, Sustainable development, Tourism cooperatives

Introduction

Truly, tourism has long been recognized as a critical sector for Nepal's economic development, contributing to employment generation, community mobilization, micro credit, foreign exchange

earnings, and rural transformation. Given Nepal's unique geographical diversity, cultural richness, and spiritual heritage, tourism is often considered one of the most viable pathways for sustainable development. However, conventional tourism models have frequently failed to distribute benefits equitably among local communities. Badal (2019) analyzes the "Visit Nepal 2020" campaign as a strategic national initiative aimed at positioning tourism as a central pillar of economic development. It was optimum opportunity transform the normal cooperatives in perfect tourism cooperatives. Tourism development in Nepal has gradually shifted from a centralized, market-driven model toward more localized and participatory approaches. Within this transition, tourism cooperatives have emerged as an important yet underexplored institutional form. Rooted in the principles of collective ownership and democratic governance, these cooperatives are closely associated with community-based tourism and homestay programs across rural Nepal. Urban centers and established trekking corridors such as Everest and Annapurna have historically captured a disproportionate share of tourism income, leaving rural and marginalized communities at the periphery (Gautam, 2023). Micro credit and community mobilization are increasing in tourism destinations of Nepal.

In this context, tourism cooperatives have emerged as an alternative institutional model that combines the principles of cooperation such as collective ownership, democratic decision-making, and mutual benefit with tourism entrepreneurship. These cooperatives aim to ensure that local communities actively participate in tourism activities and share in its economic gains. The cooperative movement in Nepal has historically played a significant role in rural development and financial inclusion. It has provided access to credit, employment opportunities, and social empowerment, especially for marginalized groups (Tiwari, 2025). Integrating this model with tourism offers a promising approach to addressing structural inequalities in the sector.

Despite this potential, tourism cooperatives remain underdeveloped and under-researched in Nepal. Existing literature highlights broader challenges in both tourism and cooperative sectors, including governance issues, infrastructure deficits, and limited institutional support. This study seeks to bridge this gap by focusing specifically on tourism cooperatives, analyzing their opportunities and challenges within Nepal's socio-economic and policy context.

Literature Review

The cooperative sector in Nepal has evolved as a grassroots economic system aimed at promoting inclusive development. Cooperatives have been instrumental in improving access to financial resources, fostering entrepreneurship, and empowering communities. However, they face significant challenges such as weak governance, political interference, and poor financial management (Tiwari, 2025). Similarly, Joshi (2024) identifies structural issues including inadequate legal frameworks, lack of professional management, and limited capital access as major constraints in the cooperative sector. These systemic challenges directly influence tourism cooperatives, which rely on similar institutional mechanisms. Homestay tourism has played a pivotal role in expanding tourism into rural areas of Nepal. Since the introduction of the Homestay Regulation in 2010, the number of homestay destinations has grown significantly. These initiatives allow visitors to stay with local families, thereby creating opportunities for direct cultural exchange and income generation.

Tourism cooperatives in Nepal are best understood as a small but growing subset of the country's broader cooperative economy, rather than as a fully distinct statistical category. According to national cooperative data, Nepal has approximately 34,800–35,000 registered cooperatives with more than 6.5 million members, representing nearly one-fifth of the population (Coops4Dev, 2023; National Cooperative Federation of Nepal [NCF], 2021). Within this large ecosystem, tourism-oriented cooperatives remain numerically limited and under-documented, as most are embedded within community-based tourism (CBT) and homestay structures rather than formally classified as “tourism cooperatives.”

Available sectorial evidence suggests that Nepal has over 500 homestay destinations across 70+ districts, many of which operate through collective or cooperative-like arrangements involving local households (Ministry of Culture, Tourism and Civil Aviation [MoCTCA], 2022; Dhungana, 2024). Earlier studies identified around 245 organized community homestay units, indicating the gradual institutionalization of cooperative practices in tourism (Regmi et al., 2023). Although not all of these are legally registered cooperatives, they function on similar principles—shared management, pooled resources, and equitable benefit distribution.

Demographically, tourism cooperatives in Nepal are predominantly rural and community-based, concentrated in hill and mountain regions such as Kaski, Lamjung, Chitwan, Ilam, and Solukhumbu. Participation is notably high among indigenous nationalities, including Gurung, Magar, Tharu, Tamang, and Rai communities, who integrate cultural heritage into tourism experiences. Gender participation is also significant: women often constitute a majority of active members in homestay operations, managing accommodation, food services, and cultural activities (Tiwari & Khatiwada, 2024). Youth involvement is increasing as well, particularly in guiding, digital marketing, and entrepreneurship. In essence, while the absolute number of formally registered tourism cooperatives remains small, their functional presence is widespread within Nepal's rural tourism economy. They reflect a decentralized development model where cooperative principles on collective ownership, inclusivity, and local benefit-sharing are practiced even without formal institutional categorization.

Empirical studies suggest that homestay tourism contributes to improved household income, community empowerment and livelihood diversification (Magar, 2021). In many communities, homestay operators organize themselves into groups or committees that collectively manage bookings, pricing, and visitor experiences. Although not always formally registered as cooperatives, these arrangements often function in a cooperative manner. Tiwari and Khatiwada (2024) argue that homestay tourism contributes to poverty alleviation by creating alternative income sources and reducing reliance on subsistence agriculture. Moreover, tourism cooperatives enhance this impact by ensuring that benefits are distributed more evenly within the community. By pooling resources and sharing risks, cooperative structures can increase resilience and reduce economic vulnerability.

Tourism in Nepal has immense potential due to its natural and cultural assets. It is considered a key driver of economic growth and rural development. However, the sector faces persistent challenges such as infrastructure limitations, environmental degradation, and unequal distribution of benefits (Bhattarai, 2025). Rural tourism, in particular, has been identified as a pathway for community development. It allows local populations to engage in tourism activities while preserving their cultural heritage. However, effective management and community participation are essential to ensure sustainable outcomes (Kafle, 2022). The cooperative movement must involve in tourism industry as well.

Community-based tourism (CBT) emphasizes local ownership and participation in tourism development. Tourism cooperatives align closely with CBT principles by promoting collective management and equitable benefit sharing. Research indicates that community participation enhances sustainability, cultural preservation, and economic inclusivity. However, barriers such as limited skills, lack of infrastructure, and weak institutional support hinder effective implementation (Shrestha, 2025). While significant research exists on tourism and cooperatives separately, there is limited scholarly attention on tourism cooperatives as a hybrid model in Nepal. This study addresses this gap by integrating insights from both domains to analyze their combined potential and challenges.

Methodology

This study adopts a qualitative research design based on secondary data analysis. Relevant academic articles, policy documents, and reports were reviewed to identify key themes related to tourism cooperatives in Nepal. The main objective of the study is to identify the list of opportunities and challenges of tourism cooperatives of Nepal through micro credit in community mobilization. A thematic analysis approach was used to categorize findings into two primary dimensions: Opportunities and Challenges. This method allows for an in-depth understanding of structural and contextual factors influencing tourism cooperatives. Drawing upon secondary literature and case-based insights, the study argues that tourism cooperatives represent a hybrid model that blends economic participation with social equity. However, their growth is constrained by weak institutional frameworks, limited policy recognition, and operational challenges.

Opportunities of Tourism Cooperatives in Nepal

1. Community Empowerment and Local Participation

Tourism cooperatives provide a platform for local communities to actively participate in tourism development. By involving residents in decision-making processes, cooperatives promote a sense of ownership and responsibility. This participatory approach enhances social cohesion and ensures that tourism benefits are distributed more equitably (Badal, 2020). It also strengthens local governance and reduces dependency on external investors.

2. Economic Development and Employment Generation

Tourism cooperatives create employment opportunities in rural areas, where alternative income sources are often limited. They enable communities to engage in various tourism-related activities such as homestays, guiding services, handicrafts, and cultural performances. Tourism has been recognized as a key sector for economic transformation in Nepal, particularly in regions where agriculture and industry face limitations (Badal & Kharel, 2019). Tourism cooperatives can further enhance this potential by ensuring inclusive growth.

3. Financial Inclusion and Resource Mobilization

Cooperatives play a crucial role in providing access to financial services for marginalized populations. Tourism cooperatives can mobilize local resources, facilitate savings, and provide credit for tourism-related enterprises. This financial inclusion supports entrepreneurship and reduces economic vulnerability among community members (Badal, 2020). Despite their potential, tourism cooperatives in Nepal face several challenges. One of the most significant issues is the lack of formal recognition and clear policy frameworks. Without legal status, many cooperatives struggle to access financial resources and institutional support.

4. Cultural Preservation and Heritage Promotion

Tourism cooperatives contribute to the preservation of cultural heritage by promoting traditional practices, festivals, and local knowledge systems. By integrating culture into tourism experiences, cooperatives help maintain cultural identity while generating economic value. This aligns with sustainable tourism principles that emphasize cultural conservation (Bhattarai, 2025). Culturally, tourism cooperatives help preserve local traditions by integrating them into tourism experiences. Visitors are introduced to traditional food, music, dance, and rituals, which reinforces cultural identity and pride among community members.

5. Sustainable and Responsible Tourism Development

Tourism cooperatives are inherently aligned with sustainable development goals. Their community-centered approach encourages environmentally responsible practices and long-term

resource management. Successful examples of community-based initiatives in Nepal demonstrate how tourism can support conservation and local well-being when managed collaboratively (Bhattarai, 2025). Beyond individual households, tourism cooperatives contribute to local economic development by creating employment opportunities in guiding, transportation, handicrafts, and cultural performances. These activities stimulate local markets and encourage entrepreneurship.

Challenges of Tourism Cooperatives in Nepal

Tourism cooperatives in Nepal represent a promising approach to inclusive and sustainable development. By combining cooperative principles with community-based tourism practices, they provide a mechanism for equitable participation in the tourism economy.

1. Weak Governance and Institutional Capacity

One of the most significant challenges facing tourism cooperatives is weak governance. Issues such as lack of transparency, inadequate accountability, and political interference undermine their effectiveness. Poor management practices and limited professional expertise further exacerbate these challenges (Tiwari, 2025). Capacity limitations also pose a major constraint. Many cooperative members lack training in hospitality management, marketing, and financial administration. This affects service quality and limits their ability to compete in the broader tourism market.

2. Limited Access to Capital and Financial Constraints

Tourism cooperatives often struggle to secure adequate funding for infrastructure development and service improvement. Limited access to capital restricts their ability to compete with private enterprises and expand their operations. Joshi (2024) highlights financial sustainability as a critical challenge in the cooperative sector. However micro credit, micro finance and like such programs of financial institutions should be involved in tourism cooperative movements.

3. Inadequate Infrastructure and Connectivity

It is the overall problem of Nepal. Nepal and Nepalese cooperatives must follow the dimensions of rural tourism through community based tourism in regenerative age. Tourism development in Nepal is hindered by poor infrastructure, particularly in rural areas. Limited transportation, communication, and hospitality facilities affect the accessibility and quality of tourism services. These constraints significantly impact the performance of tourism cooperatives, which rely on local infrastructure.

4. Lack of Skilled Human Resources

Tourism cooperatives often lack trained personnel with expertise in tourism management, marketing, and hospitality. This skills gap limits their ability to provide high-quality services and adapt to changing market demands. However, Tiwari and Khatiwada (2024) argue that homestay tourism contributes to poverty alleviation by creating alternative income sources and reducing reliance on subsistence agriculture.

5. Policy and Regulatory Challenges

The absence of clear policies specifically targeting tourism cooperatives creates uncertainty and limits their growth. Inconsistent regulatory frameworks and weak implementation further hinder their development. Local governments and their mechanism must be strengthened. Making a policy of an organization in local area should not be controlled by Kathmandu.

6. Market Competition and External Dominance

Tourism cooperatives face intense competition from private sector operators and external stakeholders. Research indicates that external actors often capture a significant share of tourism benefits, leaving local communities with limited gains (Shrestha, 2025).

7. Environmental and Cultural Risks

Unmanaged tourism activities can lead to environmental degradation and cultural erosion. Without proper planning and regulation, tourism cooperatives may struggle to balance economic growth with sustainability.

Discussion

The analysis reveals that tourism cooperatives in Nepal occupy a critical intersection between community development and tourism entrepreneurship. Their potential lies in their ability to address structural inequalities and promote inclusive growth. However, the challenges they face are deeply rooted in systemic issues within both the cooperative and tourism sectors. Weak governance, limited financial resources, and inadequate infrastructure are not isolated problems but reflect broader institutional constraints.

The success of tourism cooperatives depends on the integration of multiple stakeholders, including government agencies, local communities, private sector actors, and international organizations. Collaborative governance and policy support are essential to creating an enabling environment. Furthermore, capacity building and skill development are crucial for enhancing the operational efficiency of tourism cooperatives. Training programs in tourism management, digital marketing, and sustainable practices can significantly improve their performance.

Conclusion

Tourism cooperatives in Nepal represent a promising model for sustainable and inclusive tourism development. They have the potential to empower communities, promote cultural preservation, and contribute to economic growth. However, their success is contingent upon addressing key challenges related to governance, finance, infrastructure, and policy support. Strengthening institutional frameworks, enhancing capacity, and fostering collaboration are essential for unlocking their full potential. This study highlights the need for further empirical research on tourism cooperatives and calls for greater policy attention to this emerging sector.

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