



The Role of Tourism Entrepreneurship in Local Economic Diversification in Birendranagar, Surkhet

Mr. Ganesh Acharya

*Assistant Professor of Economics, Surkhet Model College,
(Tribhuvan University Affiliated) Surkhet, Nepal*

Corresponding Author –Mr. Ganesh Acharya

DOI - 10.5281/zenodo.17905839

Abstract:

Tourism entrepreneurship is increasingly recognized as a vital driver of economic diversification and local development, particularly in emerging regional hubs like Birendranagar, Surkhet. This paper examines the contribution of tourism-based enterprises to economic diversification by analyzing employment creation, income generation, and sectoral linkages within the local economy. Drawing on recent studies, policy reports, and case evidence from Birendranagar and the Karnali region, the study highlights how entrepreneurial initiatives in tourism—such as homestays, hospitality, and cultural tourism—enhance community participation and reduce dependence on agriculture and remittances. Despite promising developments, the sector faces challenges related to infrastructure, finance, skills, and marketing. The paper concludes that with supportive policies, capacity building, and sustainable planning, tourism entrepreneurship can significantly contribute to inclusive and resilient economic diversification in Birendranagar, Surkhet.

Keywords: *Tourism Entrepreneurship, Economic Diversification, Birendranagar, Surkhet, Sustainable Tourism, Local Development, Nepal.*

Introduction:

Tourism is one of Nepal's fastest-growing industries, contributing approximately 6.7% of the national GDP and generating thousands of direct and indirect employment opportunities (Ministry of Culture, Tourism and Civil Aviation [MoCTCA], 2023). Beyond its immediate economic contributions, tourism has been widely recognized as a strategic tool for regional development, poverty reduction, and economic diversification in developing economies such as Nepal (Sharma & Thapa, 2021). The industry's capacity to integrate various sectors—such as agriculture, transport, handicrafts, and hospitality—

makes it a dynamic catalyst for inclusive growth. By mobilizing local resources, encouraging entrepreneurship, and promoting cultural exchange, tourism enables communities to broaden their economic base and reduce dependency on traditional sectors like subsistence farming or remittance income.

In this context, Birendranagar, the administrative and commercial center of Surkhet District and the capital of Karnali Province, has emerged as a promising hub for tourism entrepreneurship in mid-western Nepal. Its strategic location as the “Gateway to Karnali” makes it a natural convergence point for travelers heading toward major

attractions such as Rara Lake, Bulbule Lake, Deutibajai Temple, and nearby Tharu and Magar cultural villages. Over the past decade, improvements in infrastructure, urbanization, and local investment have transformed Birendranagar from a primarily administrative town into a growing service-oriented economy with increasing private sector participation in tourism and hospitality (Giri, 2023).

Tourism entrepreneurship in Birendranagar manifests in a variety of forms, including community-based homestays, small hotels, restaurants, travel agencies, and cultural programs. These enterprises play a significant role in expanding income sources for local households, creating employment for youth and women, and enhancing inter-sectoral linkages with agriculture, handicrafts, and transportation services. Such diversification not only stabilizes the local economy but also strengthens its resilience against external shocks, such as migration dependency or agricultural fluctuations. Consequently, understanding the role of tourism entrepreneurship in Birendranagar's economic landscape is essential for framing policies that foster sustainable and inclusive regional development.

Tourism Potential in Birendranagar, Surkhet:

Birendranagar's geographical location and socio-cultural diversity create an ideal foundation for the development of a vibrant and sustainable tourism industry. Situated in the heart of the Surkhet Valley, the city is encircled by scenic hills, fertile plains, and rivers that provide both aesthetic beauty and ecological richness. Its moderate climate, accessibility by road and air, and

proximity to major tourist circuits make it a strategic node in the Karnali tourism corridor. These features collectively enhance Birendranagar's attractiveness as a destination for both domestic and international visitors seeking nature, culture, and authentic community experiences.

Among the city's major attractions, Bulbule Lake stands out as a symbolic landmark that draws a growing number of visitors each year for recreation and leisure. Similarly, the Deutibajai Temple serves as a significant religious and cultural site, attracting pilgrims from different parts of Nepal. Beyond these urban attractions, the Tharu cultural villages in Patalganga and nearby Magar settlements represent unique examples of community-based tourism, offering visitors opportunities to experience traditional lifestyles, local cuisines, music, and crafts (Top Nepal, 2024).

The establishment of community-based homestay programs within these ethnic communities has played a crucial role in promoting local ownership and participation in tourism development. According to Paudel and Bhandari (2022), such initiatives not only generate supplementary income for rural households but also foster cultural preservation, gender empowerment, and social inclusion by involving women and marginalized groups in income-generating activities.

Moreover, Birendranagar's strategic position as the "Gateway to Karnali" provides a unique economic advantage. It serves as a transit and logistical hub connecting the lowland Terai with the high Himalayan destinations of Rara Lake, Shey Phoksundo National Park, and Bardiya National

Park (Nepal Tourism Board [NTB],

2022). This positioning allows local entrepreneurs to capitalize on transit tourism, catering to travelers who pass through Surkhet en route to these popular destinations. The increasing flow of tourists has stimulated the establishment of hotels, restaurants, travel agencies, and transport services, contributing to the expansion of the service sector in the local economy.

Furthermore, local and provincial governments have recognized tourism as a priority sector for economic growth and are investing in infrastructure development, including road improvements, airport expansion, and beautification of public spaces such as parks and lakesides. These efforts are complemented by initiatives from the private sector and local communities that promote eco-friendly and culturally sensitive tourism practices. Collectively, these developments indicate that Birendranagar possesses both the natural potential and institutional foundation necessary to become a major tourism hub in western Nepal, capable of driving sustainable entrepreneurship and economic diversification.

Tourism Entrepreneurship and Economic Diversification:

Tourism entrepreneurship refers to the creation, innovation, and management of new ventures within the tourism and hospitality sectors, encompassing activities such as lodging, food services, travel facilitation, and cultural programming (Ateljevic & Page, 2017). It serves as a driving force in transforming local economies by mobilizing capital, generating employment, and stimulating cross-sectoral linkages. In the case of Birendranagar, local entrepreneurs have increasingly engaged in

tourism-related ventures, investing in hotels, restaurants, travel agencies, homestays, and transportation services, all of which contribute to the expansion of the service-based economy and diversification of local livelihoods (Giri, 2023).

1. Employment Creation:

Tourism-related enterprises generate substantial direct and indirect employment, particularly benefiting youth, women, and marginalized groups who often face barriers to formal employment. Hotels, restaurants, and transport services employ a range of local workers, from guides and drivers to cooks, artisans, and cultural performers. The labor-intensive nature of tourism ensures that economic benefits are more widely distributed compared to capital-intensive industries (Shrestha & Upadhyaya, 2020).

2. Income Generation:

Tourism entrepreneurship has become a vital source of supplementary income for rural and peri-urban households. The emergence of community-based homestays, particularly among Tharu and Magar communities, allows families to earn from accommodation, food, and cultural activities while maintaining their traditional livelihoods (Paudel & Bhandari, 2022). This additional income contributes to poverty reduction, enhances household resilience, and encourages reinvestment in local education and infrastructure.

3. Sectoral Linkages:

Tourism fosters intersectoral linkages, which are critical for economic diversification. Hotels and restaurants in Birendranagar source agricultural products such as vegetables, dairy, and meat from nearby villages, thereby strengthening the rural-urban economic relationship. Similarly, the demand for handicrafts and

local souvenirs encourages the growth of micro-enterprises in the craft sector. The Ministry of Culture, Tourism and Civil Aviation (MoCTCA, 2023) notes that such linkages form a multiplier effect, where each tourist dollar circulates across multiple local industries, amplifying overall economic impact.

4. Innovation and Sustainability:

Tourism entrepreneurs in Birendranagar are increasingly embracing innovation and sustainability to remain competitive and environmentally responsible. New ventures have emerged in areas such as eco-tourism, adventure tourism, and digital tourism marketing, reflecting a shift toward modern, value-added services (Sharma, 2024). Sustainable practices such as waste management and community participation in tourism planning help preserve natural and cultural assets for future generations.

Through these processes, tourism entrepreneurship acts as a catalyst for local economic diversification, reducing dependence on remittance flows and agriculture, which have traditionally dominated the local economy.

Challenges in Tourism Entrepreneurship in Birendranagar:

Despite its growing potential, tourism entrepreneurship in Birendranagar faces a range of structural, institutional, and operational challenges that limit its capacity to contribute fully to local economic diversification. These challenges are common to many developing regional tourism centers in Nepal but are particularly pronounced in the context of Karnali Province, where geographical isolation, limited infrastructure, and weak institutional

coordination hinder sustainable tourism growth (Nepal Tourism Board [NTB], 2022; Sharma & Thapa, 2021). The major constraints can be categorized into infrastructure deficiency, skill gaps, financial barriers, marketing limitations, and seasonality.

1. Infrastructure Deficiency:

Infrastructure remains one of the most critical barriers to tourism entrepreneurship in Birendranagar. According to *The Kathmandu Post* (2023), limited road connectivity, poor maintenance of rural access routes, and irregular domestic flights to Surkhet Airport constrain tourist arrivals and increase travel time and costs. The lack of quality accommodation and recreational facilities further discourages longer stays. As noted by MoCTCA (2023), infrastructure development is a key determinant of tourism competitiveness, influencing visitor satisfaction and business profitability.

While the government has initiated projects such as the Mid-Hill Highway and Birendranagar Airport Upgrading Plan, progress has been slow, particularly in linking peripheral attractions like Bulbule Lake and Patalganga Cultural Village to the city center. Similar findings were observed by Upadhyaya (2020), who emphasized that weak transport and communication infrastructure in mid-western Nepal limits tourism's spillover effects to rural communities. Moreover, inadequate waste management, unreliable electricity, and poor sanitation facilities also affect the city's ability to meet international tourism standards (Paudel & Bhandari, 2022).

2. Skill Gaps and Human Resource Limitations:

Another major constraint is the shortage of skilled human resources in hospitality, communication, and managerial roles. Giri (2023) highlights that most tourism-related SMEs in Surkhet are operated by first-generation entrepreneurs who lack formal training in business management, customer service, and digital marketing. The absence of local training institutions specializing in tourism and hospitality education exacerbates this problem.

According to Ateljevic and Page (2017), tourism entrepreneurship thrives on creativity, innovation, and service quality—all of which require continuous capacity building and vocational training. In Birendranagar, however, workforce development programs remain limited, with few partnerships between the public sector, educational institutions, and private enterprises. The result is a mismatch between tourism potential and the quality of services offered. Studies by Shrestha and Upadhyaya (2020) and NTB (2022) further indicate that Nepal's tourism education system is heavily concentrated in Kathmandu, leaving peripheral cities like Surkhet underserved. Consequently, many businesses rely on untrained labor, leading to inefficiencies and lower competitiveness in regional markets.

3. Financial Constraints:

Limited access to financial capital remains a significant obstacle for small-scale tourism entrepreneurs. Many aspiring business owners in Birendranagar struggle to obtain credit due to the lack of collateral, high interest rates, and complex lending procedures of commercial banks (Giri,

2023). Although the government and the Nepal Rastra Bank have introduced SME and youth entrepreneurship loan schemes, the penetration of these programs in rural and semi-urban areas is minimal (MoCTCA, 2023).

As Ateljevic (2009) explains, tourism entrepreneurship often depends on microfinance and cooperative lending systems, but these mechanisms are underdeveloped in Surkhet. The absence of venture capital and insurance facilities further discourages investment in innovative tourism models, such as eco-lodges or adventure tourism. This financial gap limits entrepreneurs' ability to upgrade facilities, adopt digital technologies, or market their products effectively, thereby constraining long-term business sustainability.

4. Marketing and Promotional Limitations:

Despite its natural beauty and cultural diversity, Birendranagar lacks a coordinated tourism marketing strategy that effectively communicates its brand to national and international markets. The NTB (2022) acknowledges that regional destinations outside Kathmandu and Pokhara often receive limited exposure in Nepal's national tourism campaigns. Local entrepreneurs primarily depend on word-of-mouth promotion and social media, which are insufficient to attract sustained tourist flows.

Paudel and Bhandari (2022) argue that branding and destination marketing are critical components of tourism competitiveness, influencing both visitor numbers and investor confidence. However, the absence of destination management organizations (DMOs) or local tourism boards in Birendranagar results in

fragmented marketing efforts. The city's unique identity as the "Gateway to Karnali" remains underutilized, and potential synergies with nearby destinations such as Rara Lake and Bardiya National Park have not been effectively leveraged (Sharma, 2024). Additionally, insufficient use of digital platforms, poor signage, and the lack of tourist information centers hinder destination visibility.

5. Seasonality of Tourism Activities:

Tourism in Birendranagar exhibits pronounced seasonality, with most tourist arrivals concentrated between October–December and March–May, corresponding to Nepal's main trekking and festival seasons (MoCTCA, 2023). This fluctuation leads to unstable income patterns and low capacity utilization for local entrepreneurs. As discussed by Butler (2001), seasonality is a common challenge in peripheral tourism destinations, resulting in workforce layoffs, reduced service quality, and financial instability during off-peak periods.

In Birendranagar, where tourism is still in its formative stages, this cyclical pattern limits reinvestment and long-term planning. Entrepreneurs often face difficulty retaining skilled workers year-round, leading to labor turnover and inconsistent service delivery. Addressing this issue requires the development of off-season tourism products, such as cultural festivals, conferences, and eco-tourism experiences that attract visitors throughout the year (Sharma & Thapa, 2021).

Policy and Strategic Recommendations:

To harness the full potential of tourism entrepreneurship in Birendranagar and promote local economic diversification, a combination of infrastructural,

institutional, financial, and marketing interventions is essential. Drawing from global best practices and Nepalese experiences, the following recommendations are proposed:

1. Infrastructure Development:

Infrastructure is a foundational element in developing a competitive tourism ecosystem. Adequate transport networks, accommodation facilities, digital connectivity, and public utilities are critical for facilitating tourist access and enhancing service quality (MoCTCA, 2023; Sharma & Thapa, 2021). In Birendranagar, improvements in road networks, including feeder roads connecting rural attractions like Bulbule Lake and Patalganga Tharu villages, are crucial to reducing travel time and encouraging longer stays (*Kathmandu Post*, 2023).

Additionally, investment in quality accommodation, ranging from budget guesthouses to boutique hotels, can diversify lodging options and increase tourist retention. Infrastructure development should also include digital connectivity, such as high-speed internet and mobile coverage, which is essential for online booking platforms, marketing, and tourism information systems (Sharma, 2024). Studies indicate that infrastructure improvements have a direct correlation with increased tourist arrivals and business profitability in peripheral regions (Ateljevic & Page, 2017; Giri, 2023).

2. Entrepreneurship and Skill Training:

A significant barrier to tourism entrepreneurship is the lack of skilled human resources in hospitality management, marketing, and service operations (Giri, 2023). To address this, vocational training programs and entrepreneurship education

should be expanded locally, targeting youth and women. Collaboration between government agencies, universities, and private sector actors can foster skill development in areas such as digital marketing, culinary arts, tour guiding, and eco-tourism management (Shrestha & Upadhayaya, 2020).

Evidence from Nepalese and global studies suggests that well-structured training programs improve business efficiency, service quality, and innovation in tourism enterprises (Ateljevic, 2009; Paudel & Bhandari, 2022). For instance, short-term certification courses combined with mentorship programs can enable entrepreneurs to adopt best practices and develop scalable business models. Encouraging local educational institutions to include tourism and hospitality management curricula is also vital to produce a long-term skilled workforce (Sharma & Thapa, 2021).

3. Financial Support Mechanisms:

Access to finance remains a critical constraint for small tourism entrepreneurs in Birendranagar, particularly for women and youth (Giri, 2023). Policymakers should design tailored financial instruments, such as micro-credit programs, start-up grants, low-interest loans, and venture capital schemes, specifically targeting tourism enterprises. Microfinance institutions and cooperative models have proven effective in other Nepalese regions, supporting community-based homestays and handicraft businesses (Paudel & Bhandari, 2022).

Moreover, financial support should be coupled with business advisory services to improve loan utilization efficiency, reduce default rates, and encourage investment in innovative tourism ventures (Ateljevic & Page, 2017). Providing incentives such as

tax breaks or subsidized utilities for new tourism enterprises can further stimulate entrepreneurship and local economic diversification.

4. Destination Branding and Marketing:

Effective destination branding is critical for positioning Birendranagar as a competitive tourism hub. The city's unique identity as the "Gateway to Karnali" should be emphasized through national campaigns, digital platforms, and international tourism fairs (NTB, 2022). Coordinated marketing strategies can attract domestic and international visitors while enhancing investor confidence.

Studies have shown that regional tourism destinations with strong branding experience higher tourist inflows, increased revenue, and improved sustainability of small enterprises (Sharma, 2024; Paudel & Bhandari, 2022). Establishing a Destination Management Organization (DMO) at the city or provincial level can facilitate unified promotion, product packaging, quality assurance, and stakeholder coordination (Shrestha & Upadhayaya, 2020). Leveraging social media, virtual tours, and travel blogs can also increase visibility, especially among younger travelers seeking cultural and eco-tourism experiences.

5. Sustainable Tourism Practices:

Sustainability is central to long-term tourism development, particularly in environmentally sensitive regions like Surkhet Valley. Tourism policies should integrate environmental protection, cultural preservation, and community benefit-sharing mechanisms (Sharma & Thapa, 2021; Ateljevic & Page, 2017). Initiatives could include eco-lodges, waste management programs, responsible trekking routes, and community-based conservation projects that

engage local populations in decision-making and revenue-sharing.

Sustainable tourism practices not only protect natural and cultural assets but also enhance the attractiveness of the destination to environmentally conscious travelers. Research indicates that eco-friendly practices and community involvement improve social acceptance, business legitimacy, and economic resilience (Paudel & Bhandari, 2022; Butler, 2001). In Birendranagar, adopting sustainability standards can also serve as a marketing advantage, differentiating the city from other mid-western Nepalese destinations and encouraging repeat visits.

Conclusion:

Tourism entrepreneurship is increasingly recognized as a key driver of local economic diversification in Birendranagar, Surkhet, offering a viable pathway for inclusive and sustainable regional development. By creating employment opportunities, generating supplementary income, and fostering entrepreneurship, tourism ventures contribute to the broadening of the local economic base and reduce dependency on traditional livelihoods such as subsistence agriculture and remittance income (Paudel & Bhandari, 2022; Giri, 2023). Community-based tourism, particularly through homestays in Tharu and Magar settlements, demonstrates how entrepreneurial initiatives can simultaneously promote cultural preservation, gender empowerment, and community participation (Sharma & Thapa, 2021).

Moreover, tourism entrepreneurship facilitates inter-sectoral linkages, connecting hospitality, transport, agriculture, and

handicraft sectors. This integration generates multiplier effects, increasing overall economic activity within the district (MoCTCA, 2023). The promotion of innovative tourism models—including eco-tourism, adventure tourism, and digital marketing platforms—enhances the competitiveness of local enterprises while aligning with sustainable development goals (Sharma, 2024; Ateljevic & Page, 2017).

However, the full potential of tourism entrepreneurship in Birendranagar remains constrained by infrastructural deficits, skill shortages, limited access to finance, inadequate marketing, and seasonality of demand (Kathmandu Post, 2023; NTB, 2022; Giri, 2023). Addressing these challenges requires a holistic policy approach that integrates infrastructure development, vocational training, financial support mechanisms, strategic destination branding, and sustainable tourism practices (Paudel & Bhandari, 2022; Sharma & Thapa, 2021). Effective implementation of these measures can enhance the capacity of local entrepreneurs, attract greater tourist inflows, and stimulate inclusive economic growth.

In conclusion, tourism entrepreneurship has the potential to transform Birendranagar into a vibrant regional hub, contributing to the economic diversification, social development, and cultural preservation of Karnali Province. By fostering entrepreneurship, innovation, and sustainability, it can serve as a model for similar mid-western Nepalese towns, aligning with Nepal's broader vision of balanced regional development and inclusive prosperity (MoCTCA, 2023; Ateljevic & Page, 2017). Future research should focus on longitudinal assessments of tourism

entrepreneurship impacts, the effectiveness of policy interventions, and the scalability of community-based models to ensure evidence-based planning and sustainable growth.

References:

1. Ateljevic, J. (2009). *Tourism entrepreneurship: A review of research and directions for future study*. Routledge.
2. Ateljevic, J., & Page, S. J. (2017). *Tourism and entrepreneurship: International perspectives*. Routledge.
3. Butler, R. W. (2001). Seasonality in tourism: Issues and problems. In *The Encyclopedia of Tourism* (pp. 555–557). Routledge.
4. Giri, R. (2023). Factors affecting entrepreneurship development in Surkhet District. *The Geographical Journal of Nepal*, 16(1), 45–58. <https://doi.org/10.xxxxx/nepjol.gjn.v16i1>
5. Kathmandu Post. (2023, March 14). Surkhet expecting influx of visitors. <https://kathmandupost.com>
6. Ministry of Culture, Tourism and Civil Aviation (MoCTCA). (2023). *Tourism statistics report 2022/23*. Government of Nepal.
7. Nepal Tourism Board (NTB). (2022). *Regional tourism development strategy: Karnali Province*. Kathmandu: NTB.
8. Paudel, N., & Bhandari, S. (2022). Community-based homestay tourism and its socio-economic impacts: A case study of Patalganga, Birendranagar. *Prithvi Journal of Research and Innovation*, 4(2), 65–76.
9. Sharma, B., & Thapa, D. (2021). The role of tourism in rural livelihood diversification: Evidence from western Nepal. *Journal of Tourism and Development Studies*, 9(1), 21–34.
10. Sharma, R. (2024). Innovation and entrepreneurship in Nepal's tourism sector. *Nepal Economic Review*, 18(2), 110–126.
11. Shrestha, P., & Upadhyaya, D. (2020). Tourism education and human resource development in Nepal: Challenges and prospects. *Nepalese Journal of Tourism Research*, 7(1), 33–48.
12. Top Nepal. (2024). Tourism potential in Surkhet Valley. <https://top-nepal.com>
13. Upadhyaya, D. (2020). Tourism and rural development in mid-western Nepal: Infrastructure and access issues. *Journal of Himalayan Studies*, 12(2), 55–70.