Islington Journal of Multidisciplinary Research
Vol. 1, No. 1 | pp. 51–59
Islington College, Kathmandu, Nepal • ISSN 3149-7209 (Online)
Year: 2026

Original Research Article
DOI: 10.67556/y06gf741

The Legitimacy Trap: Institutional Sequencing Failure and Policy Reform in Nepal's Film Sector

Aryan Bhandari[1,*], Manoj Jaishi [1], Aarti Shilpakar [1]

[1]Islington College, Kathmandu, Nepal
[*]*Correspondence: cinexaryan@gmail.com*

ARTICLE HISTORY

Received: 18 March 2026
Revised: 22 April 2026
Accepted: 23 May 2026
Published: 08 June 2026

Scan to access

How to Cite (Harvard): Bhandari, A., Jaishi, M. and Shilpakar, A. (2026). 'The legitimacy trap: Institutional sequencing failure and policy reform in Nepal's film sector', *Islington Journal of Multidisciplinary Research*, 1(1), pp. 51–59. Available at: https://doi.org/10.67556/y06gf741

ABSTRACT

In recent years world cinema has seen a shift toward digital distribution networks and transnational co-productions, requiring strong institutional frameworks and infrastructure. While Nepal's film sector has seen a strong creative momentum producing commercially successful and critically recognized titles this momentum is sustained by a fragile foundation making it unable to integrate into a borderless contemporary world of storytelling. Using interpretive, abductive case study design, this study conducted nine semi-structured interviews across Finance Track and Policy Track with multi-disciplinary film workers, policy experts, and industry association representatives in Kathmandu in March to May of 2026, analyzed through (Parc 2021) institutional sequencing model and (Parc 2020) value chain framework. Findings were triangulated against primary legislation, Film Development Board (FDB) institutional data, New Film Bill, 2025 and comparative evidence from South Korea, Nigeria, and Malaysia. The research identified five interlocking institutional node failures interacting with each other across financing infrastructure, policy and regulatory frameworks, IP enforcement, co-production capacity, and data governance that reinforce each other in a self-perpetuating cycle designated "the Legitimacy Trap. Out of seven major findings, some empirical contributions emerged: the FDB budget impossibility, which establishes that reinvestment failure is a structural design feature rather than institutional incompetence. A moral rights inalienability gap, which reveals that standard industry contracts routinely include legally unenforceable waiver clauses unknown to practitioners and the confirmation of (Fang 2024) "complicit creativity in Nepalese context as the mechanism through which censorship suppresses creative and commercial output before formal review, all of which reinforces the legitimacy trap. The study concludes that Nepal requires a sequenced institutional reform roadmap beginning with governance preconditions before transparency, financing infrastructure, and international engagement can be addressed.

Keywords: Co-production policy, film financing, institutional sequencing, Nepal film sector, value chain framework

JEL Codes: Z11, O17, F15, G23

Introduction

The global cinematic industry is going through a transformation driven by digital distribution networks and transnational co-production networks that has altered how films are financed, produced, and consumed (Messerlin and Parc 2017). For filmmaking communities in smaller countries, this shift presents a dual condition: unprecedented access to global audiences on one hand, and vulnerability to asymmetric integration on the other hand. The question of whether a national film sector like that of Nepal can participate equitably in this borderless economy is no longer primarily a creative question, it is an institutional one.

This very tension can be seen rising in Nepal. In recent years the film sector of Nepal has produced commercially successful titles like, "Paran and "Purna Bahadur ko Sarangi. Likewise, it also produced internationally and critically acclaimed titles like, "Shambhala and "Gaun Ayeko Bato (Film Development Board 2023; Film Development Board 2026). But this momentum rests on a fragile foundation. The governments formal recognition of "film as an industry has not been followed by institutional instruments an industry requires: formal financing mechanisms, transparent regulatory frameworks, enforceable intellectual property protections, and co-production treaty infrastructure (International Labour Organization 2021; International Labour Organization and National Planning Commission, Nepal 2022).

The result is what this research identifies as the legitimacy trap. In relation to existing institutional theories like simple path dependency, in which historical choices constrain future options, the trap of Nepals film sector is actively self-reinforcing. The sector finds itself in a condition in which it cannot attract formal investment without demonstrating economic value but cannot demonstrate economic value without the institutional infrastructure that very investment would provide. This is not the product of one single policy failure. It is the product of five interlocking institutional node failures, within the development/financing node of value chain framework of filmmaking (Parc 2020): (a) financing infrastructure, (b) policy and regulatory frameworks, (c) IP enforcement, (d) co-production capacity, and (e) data governance, which is the node affecting all other nodes, which can also be considered the master node. Each node reinforces the others in a self-perpetuating cycle. Within the policy node, (Fang 2024) mechanism of complicit creativity operates as the primary barrier, whereby opaque censorship criteria cause filmmakers to pre-emptively self-censor before formal review. This loop was further reinforced in Nepal by complete data vacuum pre-2022 and box office data blackout 2023-2026.

There are relevant existing literature examining modern day film financing (Messerlin and Parc 2017; Lee 2022), co-production frameworks (Khoo 2020; Jin and Su 2019), censorship dynamics (Fang 2024), and IP enforcement (Kouletakis 2023). No study appears to have systemically analyzed these as components of a single interlocking institutional system in Nepal's specific context, nor has any prior research produced primary qualitative data from Nepal's film sector practitioners on institutional failures. The most recent peer-reviewed empirical study of Nepal's production economics (Shahi 2025) when triangulated with (Film Development Board 2023) confirms a 90% cost-recovery failure rate in 2022 releases but that does not diagnose the institutional mechanisms producing it.

To address this gap, semi-structured interviews were conducted across two tracks Finance and Policy in Kathmandu in 2026, and analyzed through (Parc 2021) institutional sequencing model and (Parc 2020) value chain framework, the research produces an institutional diagnosis of Nepal's film sector and a sequenced policy reform roadmap grounded in the primary data. The study is deliberately scoped to financing and governance within Nepal's feature-length cinema sector, the distribution chain and OTT market dynamics (Lobato 2019) are identified as "Stage 3 pressures and priorities for future research.

Section 2 reviews theoretical and comparative literature. Section 3 outlines the methodology. Section 4 presents findings across the five institutional nodes, including the researchs contributions. Section 5 concludes with sequenced policy recommendations and directions for future research.

Literature Review

Theoretical Framework

The research is anchored in (Parc 2021) longitudinal sequencing model, derived from analysis of South Korean film policy across three sequenced developmental periods. Parc demonstrated that sustainable film industry development requires passing through three non-skippable stages. Stage 1 is regulatory transparency: data infrastructure, and basic financing instruments to create a business and artistically friendly environment. Stage 2 is market deregulation and private investment entry once political overreach is limited and institutional foundations have stabilized. Stage 3 allows equitable international integration once the domestic ecosystem has firmly established. The model's key finding, most relevant to Nepal, is that premature attempts at Stage 2 or Stage 3 before the completion of their prerequisites produce either unsustainable outcomes or asymmetric outcomes in which stronger partners capture disproportionate value, particularly in co-production. This research applies Parc's sequencing model at a macro level and theorizes that Nepal faces Stage 3 pressures from global digital distribution while operating on an incomplete Stage 1 institutional base.

To diagnose problems at a micro level, this research employs (Parc 2020) value chain framework, which identifies institutional nodes through which film industry value is created and captured. The research identifies five institutional nodes within the film sector's financing and governance system and diagnoses how Nepal currently lacks functional mechanisms at multiple nodes simultaneously. This structural diagnosis across five nodes is examined in Section 4.

Three cross-case comparisons supplement the theoretical framework. South Korea's Stage 1 period (1962 to 1988) most closely resembles Nepal's current condition, regulatory architecture designed for control rather than development, absent financing instruments, and no participation of the banking sector (Parc 2021). Nigeria's Nollywood pre-formalization period (1994 to 2010), what happens when a sector achieves substantial creative output in conditions of complete institutional informality (Jedlowski 2021). Critically, Malaysias contemporary case isolates the censorship variable: despite possessing a functioning public film fund through FINAS, Malaysia has been unable to convert bilateral co-production agreements into equitable outcomes because censorship opacity independently deters international partners from committing creative content to collaboration (Barker et al. 2021). Altogether, the cases establish that financing reform, regulatory reform, and IP enforcement must advance in coordination.

Related Literature and Research Gap

Film financing literature establishes that reinvestment design, not tax level, determines industrial outcomes. (Messerlin and

Parc 2017) through comparative analysis of France and Korea show that systems legally requiring a percentage of box office taxation to flow back into funding productions sustain long-term growth, while systems that extract tax revenue without ring-fenced reinvestment produce structural disinvestment. Nepal levies a 33%-35% tax on foreign films, 15% of which is levied as "Film Development Tax and a separate 5% on domestic films as "Entertainment Tax, generating approximately NPR 15.75 crore to NPR 21.15+ crore annually in FDB tax revenue (Film Development Board 2023), (Film Development Board 2026), respectively. (Lee 2022) further establishes that public-private risk-sharing mechanisms are instrumental in overcoming the financing barriers that informal single-investor models cannot resolve.

Co-production literature confirms that international collaboration is policy-created infrastructure, not a market-organic outcome (Morawetz et al. 2007). Access to Asia-Pacific co-production networks is gated entirely by formal bilateral frameworks (Khoo 2020; Jin and Su 2019), from which Nepal is structurally absent. (Fang 2024) concept of "complicit creativity", elaborates on how opaque censorship criteria cause filmmakers to pre-emptively self-censor before formal review, providing us with the primary theoretical mechanism for the policy pillar of this research. (Kouletakis 2023) and (World Intellectual Property Organization 2023)s report establishes that weak IP enforcement in developing economy film sectors functions not only as a revenue loss problem but as a financing barrier, preventing film rights from serving as bankable collateral.

No existing study treats financing gaps, regulatory failures, IP enforcement, and co-production barriers as components of a single interlocking institutional system in Nepal's context, nor has primary qualitative research been conducted with Nepal's film sector practitioners on these institutional failures. This paper tries to address both gaps.

Methodology

This study adopts an interpretivist philosophical position, which holds that institutional failures in creative industries cannot be fully understood through quantitative measurement alone and require access to the perspectives of practitioners who navigate them daily. This commitment is justified by the research question, which asks, how financing gaps and regulatory barriers function in practice, what the prerequisites in terms of infrastructure are for equitable international participation, and what the practitioners regard as feasible reform.

The research approach is abductive, moving iteratively between empirical interview data, institutional theory, and comparable cases to develop the most plausible explanations of Nepal's film financing and regulatory constraints. Rather than purely testing hypotheses, the research begins with Nepal's specific institutional context as documented in primary legislation, FDB reports, and industry data, uses research propositions derived from comparative literature as starting points, and interprets emerging patterns through Parc's institutional sequencing model and value chain framework.

The research employs a qualitative case study design. Nepal's film sector is the primary analytical case. South Korea (1962 to 1988) picked for sequencing and also because it is the most comparable to Nepals current stage, Nigeria (1994 to 2010) for understanding IP and how data vacuum hinders the film sector, and Malaysia (2000 to present) picked as the most critical example for even when developmental, financing infrastructure exists but due to censorship is greatly hindered, these function as comparative reference cases, selected because sufficient secondary literature exists to apply the value chain framework at each node.

Participants were selected through purposive sampling. Each candidate required to complete a participation qualification form confirming years of experience, recent productions, and primary role where the research set minimum requirements. Given Nepal's small film sector, producers were prioritized because they are directly connected to all five institutional nodes, from financing decisions through to regulatory compliance and distribution. The primary data was collected through nine semi-structured in-depth interviews conducted in person in Kathmandu between March and May 2026. Interviews were structured across two tracks. Both tracks engaged with multi-disciplinary filmmaker-producers with direct experience of production financing challenges, following a value chain-structured guide addressing each institutional node in sequence, including, industry association representatives, a filmmaker with regional co-production experience, a diaspora-market strategist, and an IP and entertainment lawyer, structured around the legislative text of the Motion Picture Act and the new Film Bill. Three practitioners also participated in a focus group session which was coded separately. Interviews ranged from 65 to 180 minutes in duration with average of approximately 120 minutes. Participants, depending on their expertise, overlapped across both tracks and are identified by pseudonymous codes (P1 to P8, PB for the lawyer and FG for when the focus group was in unanimous agreement) throughout.

Interview data was first transcribed in Excel with analytical notes for each transcript and then analyzed using the thematic framework approach of (Ritchie and Spencer, 1994) in NVivo 15, proceeding through within-track coding, cross-track synthesis to identify interaction effects, and triangulation against secondary sources. Secondary data included primary legislation, FDB institutional documentation, ILO analytical reports, production cost data (Shahi 2025), and comparative institutional data from the three referenced cases.

A note on evidentiary scope is warranted here. The absence of comprehensive quantitative data on the sector is not a gap in research design; it is the study's central empirical finding. The researcher is constrained by the very institutional failure being diagnosed. The FDB's data blackout makes the quantitative baseline the research would otherwise draw on unavailable. This is why the methodology triangulates primary interviews, primary legislation, comparative cases, and the limited official data that does exist. The qualitative interpretivist design does not permit statistical generalization, findings are context-specific to Nepal's film sector in 2026 and are not claimed as universally applicable.

Trustworthiness was addressed through triangulation, with all primary interview findings cross-referenced against secondary sources. Participants were asked quantitative questions for reliability. Transferability is achieved through thick description of Nepal's institutional conditions. The researcher's position as an active practitioner in Nepal's film community provided insider access and contextual understanding, managed through explicit reflexivity in the consent form provided for each participant.

Results and Discussion

Analysis of all the interview dataset produced 189 coded references. Financing Pillar (80 references, 42%), Policy Pillar (88 references, 47%), and Emerging Themes (21 references, 11%). Thematic saturation was calculated independently when new patterns stopped emerging. Bank exclusion saturated at eight of nine sources. Censorship and complicit creativity at seven of nine. Data transparency failures at seven of nine. Co-production barriers at six of nine. IP enforcement gaps at five of nine, with the legal expert source (PB) providing specialist depth that practitioners alone could not supply.

The Legitimacy Trap: Five-Node Failure Cycle

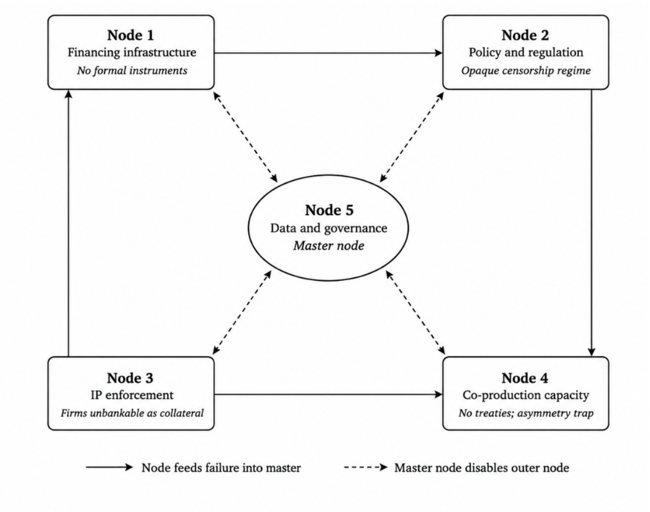

Figure 1: The Legitimacy Trap

The overarching finding of this research is the confirmation and elaboration of the legitimacy trap introduced in Section 1. The five institutional node failures reinforce each other through node specific mechanisms that prevent any single reform from breaking the cycle.

The financing failure (Node 1) and the IP failure (Node 3) are connected, without enforceable IP, film assets cannot be used as financing collateral (World Intellectual Property Organization 2023), and without financing formal production arrangements that would generate traceable revenue and create enforceable IP transactions do not occur, reinforcing informality which can be seen in lack of participation of banking sector. The policy failure (Node 2) and the co-production failure (Node 4) are connected, without transparent censorship criteria, partners cannot assess creative risk and without international engagement, filmmakers cannot access the networks that would reduce dependence on the single-investor model. Node 5, data and governance, is the node connected to all nodes: without reliable box office and supplementary industry data, none of the other failures can be documented to policymakers, and the evidence base for any financing instrument is absent (Dhakal 2024).

(P6) In 2024, one month in which three Nepali films collectively grossed NPR 100 crore provided empirical evidence for a potential institutional catalyst like the Korean case (Parc 2021). Private-sector confidence shifted, with banks and insurance companies beginning to consider film as a viable asset class (P7). Yet because data infrastructure had been disabled before the peak occurred and the institutional response was ceremonial rather than developmental, the moment was uncapitalized.

As P6 observed: *"The big mistake is grabbing opportunities on an institutional level. They could have leveraged that 2024 successful film data to make a film fund, commission, or rebates. But the slow reaction caused it to be uncapitalized."*

This is the legitimacy trap at its most consequential: value demonstrated, infrastructure absent, catalyst lost.

The FDB Budget Impossibility

An analytically unexpected finding in Finance Track concerns the structural design of the FDB's budget and "Film Development Tax. P7 provided a precise institutional diagnosis: *"The FDB tax revenue flows to the Ministry of Finance consolidated fund, not to the FDB's development budget. The FDB receives a separate annual budget allocation from the Ministry of Finance that is equivalent to its operational costs."* Because the film sector falls under the Ministry of Communication, the FDB functions primarily as a regulatory body, and the budget allocation is made sufficient for its regulatory purposes. Institutional mechanism for reinvesting collected tax revenue into production support does not exist. Budget allocations are annual, meaning any unspent funds revert to the consolidated fund at year-end, preventing multi-year developmental planning.

This finding directly explains why the reinvestment loop cannot function even if political will to create it existed, and why the FDB's stated development mandate remains regulatory rather than developmental. The Film Development Tax collects approximately NPR 15.75 crore annually in tax revenue explicitly labelled as Film Development Tax (Film Development Board 2023), yet none of this revenue is available to the institution for development purposes. As P7 stated:

> *"There is no money at the FDB to invest in productions. The money collected is not their money. It goes to the finance ministry, and they get their budget from somewhere else. It is not the same pool."*

This finding extends the existing literature, which has documented the FDB's failure to reinvest (Ramachandran 2024) (International Labour Organization 2021) without identifying the specific institutional mechanism that prevents reinvestment. It is not only a matter of political will or leadership qualities. The institutional plumbing does not connect the revenue to the development function. The average FDB rating across Finance Track participants was 3.5 out of 10, reflecting consistent institutional distrust, but the primary data suggests this distrust is directed at the wrong level of analysis. The FDB cannot perform its development mandate because the budget architecture structurally prevents it from doing so.

Financing Node: Bank Exclusion and the Single-Investor Model

Bank exclusion from film production financing was confirmed as the foundational financing failure across eight of nine sources. P1, P2, P6, P7, and P8 all reported direct encounters with commercial banks that declined film-related lending. The consistent basis for rejection was the bank's inability to value film assets as collateral, a finding directly consistent with (World Intellectual Property Organization 2023), framework connecting IP enforcement failure to financing failure.

In the absence of formal financing instruments, individual investors command approximately 95% of revenue rights against the filmmaker's 5%, a terms structure that reflects not negotiation but the absence of alternatives (P8). This power ratio has direct consequences for production quality: when one investor controls 95% of creative and financial decisions, investment flows toward perceived de-risking mechanisms such as star talent (P1), rather than the actual value drivers of successful production.

As P8 framed it: *"It is not that there is no money. It is that the people with money have all the leverage because there is nowhere else to go."*

The data absence compounds the financing failure in a specific way not previously documented. The focus group (P3, P4, P5) confirmed that the FDB's cessation of box office data publication in July 2023 had begun eroding the informal capital sources the sector relied upon. P3 documented the retreat of Non-Resident Nepali investors who had been active between 2018 and 2021 and withdrew after invested productions failed to recoup and offered no meaningful legal recourse against revenue misreporting. 'They are gone because there is no system to protect them,' P3 stated. This finding establishes that data failure has direct financing consequences beyond investor confidence, it actively destroys existing informal capital networks.

A connected finding with NRI investment withdrawal and reliable box office data was articulated by P8, *"Our box office data is limited to domestic gross collection, they do not have the infrastructure to measure the collections from international releases and digital. This causes the sector to look less profitable than it is."* This finding is confirmed with secondary data, and it is a point to be noted that it actively increases investor distrust (FG).

Policy Node: Complicit Creativity Confirmed and Extended

Seven of nine sources confirmed (Fang 2024) "complicit creativity mechanism, making it the most densely coded node in the dataset, with two original extensions. Film has been historically documented as a mode of state control, (Maharjan 2012), The Motion Picture Act 1969, with four amendments including a substantial revision in 2017, retains its foundational architecture of state control. Rule 16 of the Motion Picture Rules embeds a representative of the Ministry of Home Affairs within the Film Review Committee, providing the legislative foundation for the political censorship pattern documented across the interview data. The new Film Bill, point 27, preserves this architecture and deepens the ambiguity further through the introduction of terms such as 'self-censorship', while also adding mandatory registration without clarifying censorship criteria.

P1 documented a case, independently corroborated by multiple participants, in which a filmmaker faced heavy censorship for using a political leader's name in audio, while the same leader appeared as an actor in another film during the same month. This is complicit creativity in operational form, the censor board communicates through unwritten motivations rather than articulated criteria, leaving filmmakers to reverse-engineer the political logic. P6 identified pre-review script modification as the earliest possible point of creative interference, with filmmakers modifying scripts at the development stage to pre-empt problems before the camera rolls. P8 extended the mechanism beyond the formal censor board to four parallel channels simultaneously: police, permits, social pressure, and political reaction.

P7 raised a contemporary digital-era argument that challenges the censorship regime's stated rationale: content freely available on social media platforms is simultaneously censored in theatrical film. This contradiction collapses the premise that censorship serves a protective function and signals institutional unreliability to international co-production partners who cannot forecast creative risk when the criteria are both opaque and incoherent.

The Moral Rights Inalienability Gap

The expert legal source (PB) identified a previously under-examined risk with significant implications for the sector. Nepal's Copyright Act 2059 B.S. (2002 A.D.) establishes moral rights as inalienable: they cannot be assigned, transferred, or waived. Yet PB documented that standard production contracts in Nepal routinely include clauses requiring filmmakers to waive their moral rights. These clauses are, by PB's legal analysis, unenforceable under Nepali law.

The implications are structural across three parties. Investors who believe they have acquired full rights over a production are operating under a legally false assumption. Filmmakers who have signed waiver clauses have in fact retained their moral rights under law but may be unaware of this protection. International co-production partners who conduct legal due diligence before committing to a collaboration will identify this as a fundamental contract enforceability problem, constituting a barrier to formalized co-production independent of the regulatory and fiscal barriers identified in Section 4.6.

This finding reframes the IP problem as a combined enforceability and information gap. Legal protections exist but have not been institutionally distributed to the practitioners who need them. P4 corroborated this from a co-production perspective, documenting that European co-production funds had claimed moral rights through deliberately vague contractual language: 'A European co-production fund states the European partner must own a minimum of 20% of the film. That 20% could be anything: financial rights, IP, copyright, moral rights; they deliberately keep those things vague.' Practitioners are surrendering protections they legally possess because no institutional mechanism exists to inform them otherwise.

Co-Production Node: The Asymmetry Trap

The co-production node produced the clearest evidence of the asymmetry trap identified by (Barker et al. 2021). P3 documented a decade-long effort to develop a South Asian co-production framework that has repeatedly stalled at the point of regulatory negotiation: *"International partners require certainty about censorship criteria before committing creative content to a collaboration, and Nepal cannot provide that certainty because the criteria do not exist in published form."*

The fiscal barrier is equally prohibitive. The focus group discussed 25% corporate tax on incoming co-production funding, which P4 described as structurally counterproductive: *"Any international partner who brings financing into Nepal for a co-production is taxed 25% on arrival, before a single frame is shot. While other nations' film policies focus on incentivizing production within their borders, Nepal's framework is extractive.* This makes Nepal's co-production cost structure uncompetitive against regional alternatives where no equivalent entry tax exists (Jin and Su 2019).

P8 confirmed zero market conversions from existing international film festivals in Nepal meaning, films screened at film festivals of Nepal are not finding distribution or supplementary partners/producers. The current film festivals are not a marketplace because the ecosystem does not exist, establishing that informal relationship-building is not converting into formal co-production arrangements.

P7 documented an additional regulatory barrier: foreign crew members cannot be issued work visas and must enter on tourist visas, rendering their equipment worth millions uninsurable. There is a legal pathway to acquiring work visa (non-tourist visa), confirmed through Department of Immigration (DoI), but the bureaucratic red-tape and the lack of one-door-policy creates a 6-to-8-month administrative delay for legitimate co-production projects, that filmmakers tend to not purse, especially since there are also no tax incentives in Nepal which they can find elsewhere, as P7 elaborated.

Table 1
Summary of Node-Level Institutional Failures

Node	Failure	Primary Evidence	Theoretical Link
Node 1: Financing	Bank exclusion universal, 95/5 investor-filmmaker power ratio	8/9 sources, P8 direct testimony	(Parc 2021) Stage 1, (World Intellectual Property Organization 2023)
Node 2: Policy	Complicit creativity, 1969 Act DNA persists in new Film Bill	7/9 sources, P1, P6, P8	(Fang 2024)
Node 3: IP	Moral rights inalienability gap, unenforced copyright	PB expert testimony, P4, P8	(World Intellectual Property Organization 2023), (Kouletakis 2023)
Node 4: Co-production	Zero treaties, 25% entry tax, asymmetry trap	P3, P5 focus group, P7	(Jin and Su 2019), (Barker et al. 2021)
Node 5: Data (master)	FDB data blackout July 2023 to April 2026, 25% discrepancy	7/9 sources, Film Development Board (2023), Film Development Board (2026)	(Parc 2021) economic legibility

Further Findings

The findings discussed above have a downstream effect applied to multiple aspects of film production. The following are three examples illustrating how structural dysfunction at the institutional level has been manifested in practice.

Story Bank design failure

A Stage 2 initiative, The Story Bank program by FDB which promised to provide developmental funds, disburses funds only after a censorship certificate is obtained, making it a post-production or distribution grant rather than a pre-production or development fund. Its 30-day completion requirement and opaque selection criteria render it unusable (P3, P6). This happens because of the budget architecture of FDB as discussed in 4.2 and FDB acting as a regulatory body while holding development mandate.

Development ceiling

The 90% failure rate theatrically in 2022 derived from (Shahi 2025) (Film Development Board 2023) but the box office data is limited to domestical theatrical release as noted by (P8), revenue from international release and digital are completely absent. This is created by the data vacuum. Primary data also establishes the failure rate is not a talent problem but a financing architecture problem. Absent development support, productions enter principal photography with insufficient script preparation, producing technically complete but narratively weak films regardless of the creative ability of those involved (P7). So again, lack of reliable data reinforcing a developmental ceiling.

Trend-following because of data absence

Without reliable and accurate audience or box office data, filmmakers cannot make evidence-based production decisions and default to replicating whichever film was most recently successful (P2, FG, P6). Adversely effected by the 95%-5% power ratio between financer and filmmakers, this loop reinforces itself and trend following continues. This produces franchise dependence that concentrates revenue in a small number of titles while crowding out original work (P4).

Conclusion

Summary of Contributions

This research contributions to the literature on film industry development in small markets. First, it introduces and empirically grounds the legitimacy trap as a named diagnostic concept describing the self-perpetuating cycle of five interlocking institutional node failures in Nepal's film sector. Second, it identifies the FDB budget impossibility as an original mechanism-level finding: reinvestment failure in Nepal is a structural design feature, not institutional incompetence, because the institutional plumbing does not connect the sector's tax revenue to the institution mandated to develop the sector. As a result, taxation without reinvestment becomes a disadvantage to creative fields (Messerlin and Parc 2017). Third, it identifies the moral rights inalienability gap as a previously undocumented systemic risk, reframing Nepal's IP problem as a combined enforceability and information deficit addressable at low institutional cost.

Theoretically, the research extends (Parc 2021) institutional sequencing model to a small, low-income, institutionally nascent context and contributes an empirically derived Phase 0, covering governance preconditions, that the original three-stage model of Parc did not anticipate.

Policy Recommendations

The sequenced reform roadmap is organized into four phases. Phase 0 addresses institutional hurdles that must be overcome before phased reforms can be delivered. Phases 1 through 3 follow (Parc 2021) staging logic. These recommendations are grounded in interview data and comparative institutional evidence. They are presented as evidence-informed proposals, with the strength of each recommendation reflecting the depth of saturation in the interview dataset.

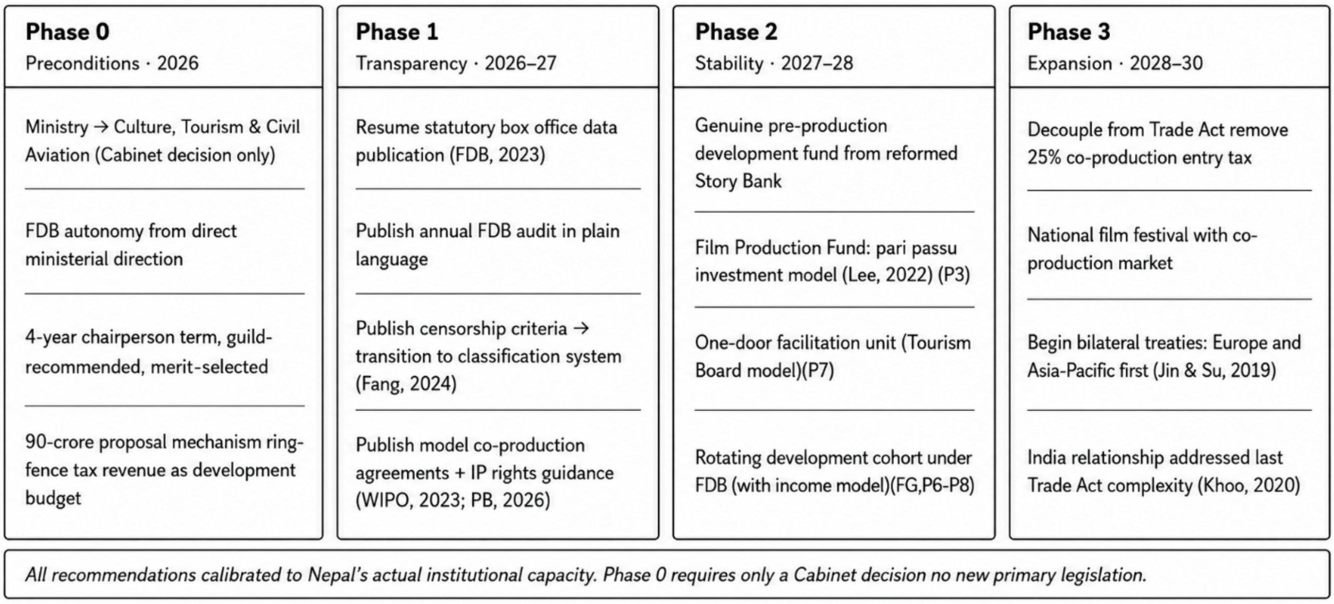

Figure 2: Phased Reform Roadmap

Phase 0 (2026): Institutional Preconditions

Derived entirely from primary interview data, Phase 0 includes transfer of the film sector's regulatory home from the Ministry of Communication and Information Technology to the Ministry of Culture, Tourism and Civil Aviation, a position supported by five independent sources (P1, P3, P6, P7, P8). Because the film sector falls under a regulatory ministry, the FDB defaults to control rather than facilitation regardless of legislative language. Additional preconditions include granting the FDB institutional autonomy from direct ministerial political direction (five independent sources across both tracks). Extending the FDB chairperson term from two to four years with merit-based, guild-recommended selection. Introducing a proposal mechanism requiring each chairperson candidate to submit a four-year development plan against a budget of approximately NPR 90 crore, the sector's own annual tax revenue focusing on creation of a polycentric architecture of the following bodies, (a) Rating and Classification Office (b) Data and Research Office, (c) One Door Facilitation Unit, (d) Film Development Fund, (e) Development Support Unit, (f) National Film Festival and Co-production Market. Finally, encouraging formal representatives from independent filmmakers in policy consultation processes as any legitimate Stage 1 and 2 initiatives currently undertaken has been on their recommendation (P6, FG).

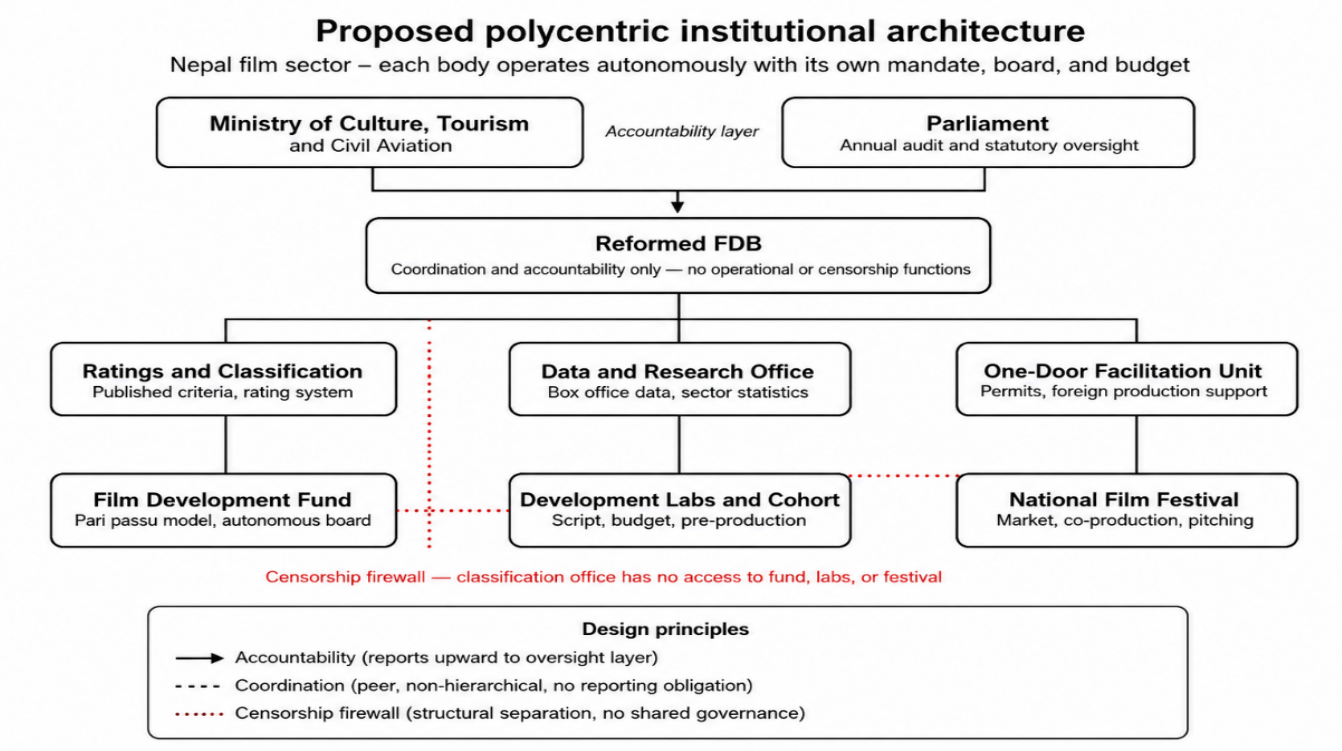

Figure 3: Reformed Polycentric Institutional Architecture

Phase 1 (2026 to 2027): Transparency

The FDB must resume box office data publication with a statutory monthly obligation. Remove the discretion that enabled the 2023 to 2026 data blackout (P1, P6, P7, FG). In plain language an annual FDB audit must be published against the chairperson's four-year plan. The Film Review Committee must publish censorship classification criteria and transition toward a rating system replacing the binary of permission or prohibition. Create and publish models for co-production agreements and IP rights guidance explicitly mentioning the inalienability of moral rights under Nepal's Copyright Act 2002.

Phase 2 (2027 to 2028): Stability

The FDB's Story Bank, a nominal pre-production fund that in practice disburses only after a censorship certificate is obtained, must be restructured into a genuine pre-production or development fund disbursed at script and budget stage. A separate Film Development Fund operating on the pari passu investment model (P3), modelled after the "Red Sea Fund, in which the fund co-invests without requiring repayment until profit is generated, should be established. Independent convergence on the pari passu model by P3, P7 and P8 without prior contact is notable: it suggests the sector already understands the instrument it needs. A one-door facilitation unit consolidating permit coordination, foreign investment processing, and co-production support should be established within the FDB's existing administrative powers.

Phase 3 (2028 to 2030): International Integration

The legal entanglement of film co-production within Nepal's general Trade Act must be resolved through targeted regulatory amendment, and the 25% tax on incoming co-production funding replaced with a zero-tax or tax-deferral mechanism for funds entering under a formal co-production agreement. A national film festival with an embedded co-production market, independently endorsed by P1, P6, P7 and all focus group participants, should be established with a provincial rollout model beginning in cities with existing cinema infrastructure. Bilateral treaty negotiations should prioritize European and Asia-Pacific partners where informal co-production relationships already exist, before the more structurally complex India trade relationship is addressed.

Limitations and Future Research

The primary methodological limitation is the data void imposed by the FDB's cessation of box office reporting, which means some empirical claims about Nepals film sector rely on a single peer-reviewed source (Shahi 2025) and official FDB documents (Film Development Board 2023) (Film Development Board 2026) including ILO reports. As established in Section 3, this is not a design limitation, but the study's central finding expressed methodologically. The qualitative interpretivist design does not permit statistical generalization, findings are context-specific to Nepal's film sector in 2026.

Future research priorities include: a longitudinal quantitative study of box office performance once transparent data is restored. Nation-wide viewer preference research covering all demographics. A qualitative investigation of the documentary and short film sectors, which face distinct institutional challenges outside the scope of this study. Analysis of the distribution chain as an underexamined bottleneck and assessment of whether OTT platforms can provide a bypass for domestic institutional failures, incorporating the cautionary dimensions of platform dependency identified by (Lobato 2019).

Disclosure Statement

The author has no financial or non-financial disclosures to share for this article.

Use of Artificial Intelligence (AI) Tools: The research has followed the ICJMR policy on AI use. No generative AI has been used in preparation of this report.

Data Availability Statement: Interview transcripts are not publicly available to protect participant anonymity in accordance with the consent agreements. FDB institutional data is available at fdb.gov.np and policy frameworks in film.gov.np > media > filmgov including Motion Picture Act and the New Film Bill na.parliament.gov.np as of this research under review.

Ethical Approval: This research was part of the authors masters thesis and has been reviewed and approved by the dissertation supervisor and dissertation committee at Islington College, Kathmandu, in accordance with London Metropolitan University ethical guidelines. All participants provided written informed consent prior to interview.

Acknowledgements

The author acknowledges the guidance of the dissertation supervisors, Manoj Jaishi and Aarati Shilpakar at Islington College, Kathmandu, and the generous participation of all interview participants who gave their time, experience, and unfiltered honesty to this research.

References

Barker, Thomas et al. (2021). *Censorship and Its Impact on the Screen Industries in Malaysia*. Kuala Lumpur: Freedom Film Network.

Dhakal, R. (June 2024). *Nepali Filmdom Still Mired in Lack of Accountability, Transparency*. p. 6.

Fang, Jun (2024). "The Culture of Censorship: State Intervention and Complicit Creativity in Global Film Production." In: *American Sociological Review* 89.3, pp. 488–517. 10.1177/00031224241236750.

Film Development Board (2023). *National Movie Collection Report*. Tech. rep. Kathmandu: Film Development Board, Government of Nepal.

– (2026). *National Movie Collection Report*. Tech. rep. Kathmandu: Film Development Board, Government of Nepal.

International Labour Organization (2021). *Analytical Brief on the Film Industry in Nepal*. Tech. rep. Kathmandu: International Labour Organization.

International Labour Organization and National Planning Commission, Nepal (2022). *Untapping the Potential of the Nepali Film Industry to Generate Decent Employment for Women*. Tech. rep. Kathmandu: International Labour Organization and National Planning Commission, Nepal.

Jedlowski, Alessandro (2021). *African Screen Media: Nollywood and the Genealogy of a Revolution*. New York: Columbia University Press.

Jin, Dal Yong and Wendy Su (2019). *Asia-Pacific Film Co-Productions: Transnational Collaborations in the Era of New Media*. New York: Routledge.

Khoo, Olivia (2020). "Pan-Asian Filmmaking and Co-Productions with China: Horizontal Collaborations and Vertical Aspirations." In: *The Chinese Cinema Book*. Ed. by Chris Berry. 2nd. London: British Film Institute / Palgrave Macmillan, pp. 197–205.

Kouletakis, Jade (2023). "Weak Copyright Enforcement Produces Revenue Loss and Deters Foreign Investment: Evidence from Nigeria and South Africa." In: *Journal of Media Law* 15.2, pp. 44–68.

Lee, Hye-Kyung (2022). "Supporting the Cultural Industries Using Venture Capital: A Policy Experiment from South Korea." In: *Cultural Trends* 31.1, pp. 82–96.

Lobato, Ramon (2019). *Netflix Nations: The Geography of Digital Distribution*. New York: NYU Press.

Maharjan, Harsha Man (2012). "Machinery of State Control: History of Cinema Censor Board in Nepal." In: *Bodhi: An Interdisciplinary Journal* 4.1, pp. 45–67.

Messerlin, Patrick A. and Jimmyn Parc (2017). "The Real Impact of Subsidies on the Film Industry (1970s-Present): Lessons from France and Korea." In: *Pacific Affairs* 90.1, pp. 51–75. 10.5509/201790151.

Morawetz, Norbert, Jane Hardy, Colin Haslam and Keith Randle (2007). "Finance, Policy and Industrial Dynamics: The Rise of Co-Productions in the Film Industry." In: *Industry and Innovation* 14.4, pp. 421–443. 10.1080/13662710701524072.

Parc, Jimmyn (2020). "Understanding Film Co-Production in the Era of Globalization: A Value Chain Approach." In: *Global Policy* 11.4, pp. 458–465.

– (2021). "Business Integration and Its Impact on Film Industry: The Case of Korean Film Policies from the 1960s Until the Present." In: *Business History* 63.5, pp. 850–867. 10.1080/00076791.2019.1676234.

Ramachandran, Naman (June 2024). *As Nepali Cinema Soars Globally, Taxes Cripple Local Film Industry*. Interview.

Shahi, Suman Bikram (2025). "Production Cost of Feature Film in Nepal." In: *The Journal of Academic Development* 9.1, pp. 89–116.

World Intellectual Property Organization (2023). *IP Assets and Film Finance*. Tech. rep. Geneva: World Intellectual Property Organization.