

Review Article

Leasing Models for Three-Star Hotels and Resorts: The Nature of its Collaboration with Cooperative Tourism

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A B S T R A C T

The hospitality industry has undergone transformative changes driven by globalization, evolving consumer expectations, technological advancements, and the growing emphasis on sustainable development. Within this context, three-star hotels and resorts play a pivotal role, providing quality services at accessible price points for a diverse range of travelers. Leasing has emerged as a key operational and management model in the sector, facilitating professionalization, expansion, and efficient resource utilization. Concurrently, cooperative tourism societies—organizations founded on collective ownership, democratic governance, and community participation—have increasingly demonstrated their potential as innovative actors in hospitality management, particularly in promoting sustainable practices and local economic empowerment.

This study investigates the leasing models applicable to three-star hotels and resorts, with a specific focus on arrangements involving cooperative tourism societies. By integrating theoretical insights, empirical evidence, and relevant case studies, the paper explores the mechanisms, benefits, and challenges of such leasing structures. The analysis highlights how cooperative tourism societies, when effectively integrated into leasing arrangements, can enhance socio-economic development, foster community engagement, and promote sustainable operational practices in the mid-scale hospitality sector.

Keywords: Hotels, Resorts, Hospitality, Culinary, Co-operative, Tourism

Introduction

The dynamics of the hospitality industry have undergone significant changes in recent decades, driven by globalization, evolving consumer preferences, technological advancements, and the imperatives of sustainable

development. Within this landscape, three-star hotels and resorts occupy a strategic position, catering to a broad spectrum of travelers seeking quality services at moderate prices. Leasing, as a model for property operation and management, has emerged as a critical mechanism for

expanding and professionalizing this sector. In parallel, cooperative tourism societies—entities grounded in collective ownership and democratic governance—have increasingly demonstrated their relevance as innovative actors in hospitality management, particularly regarding resource mobilization, community engagement, and sustainable tourism development.

This research paper explores the leasing models pertinent to three-star hotels and resorts, with a particular focus on arrangements involving cooperative tourism societies. By synthesizing insights from the provided reference list and integrating empirical and theoretical perspectives, this study aims to elucidate the mechanisms, benefits, challenges, and future prospects of leasing in this context. The central argument advanced herein is that cooperative tourism societies, when effectively leveraged through well-structured leasing arrangements, can serve as significant catalysts for socio-economic development, local empowerment, and the promotion of sustainable hospitality practices.

The structure of this essay is as follows. The first section provides an overview of the global and regional context of three-star hotels and resorts, situating their role within the wider hospitality and tourism industry. The second section reviews the conceptual foundations and practical modalities of leasing in the hospitality sector, with an emphasis on models applicable to mid-scale properties. The third section examines the organizational form and operational logic of cooperative tourism societies, highlighting their governance structures, objectives, and historical evolution. The fourth section analyzes the intersection of these two domains—leasing arrangements between property owners and cooperative tourism societies—drawing on case studies, legal frameworks, and best practices. The fifth section discusses the advantages and challenges inherent to such leasing models, with particular reference to sustainability, community participation, and economic viability. The final section presents a critical synthesis and outlines policy recommendations and avenues for future research.

The Role of Three-Star Hotels and Resorts in the Hospitality Industry

Global and Regional Overview

Three-star hotels and resorts represent a vital segment of the hospitality continuum, characterized by a balance of comfort, amenities, and affordability. According to Smith, Williams, and Brown (2020), the proliferation of mid-scale hotels has paralleled the democratization of travel, driven by increased disposable incomes, the growth of the middle class in emerging economies, and the expansion of domestic tourism markets. These establishments offer standardized services—such as en-suite bathrooms, on-site dining, and

recreational facilities—while maintaining competitive pricing strategies that appeal to cost-conscious travelers.

In the Asia-Pacific region, for instance, three-star hotels have been instrumental in broadening access to tourism experiences for domestic tourists and regional travelers (Lee & Kim, 2018). Similarly, in Europe and North America, the segment has adapted to the demands of business travelers, families, and tour groups seeking value for money (García & Hernández, 2019). The resilience of this segment during periods of economic uncertainty further underscores its importance within the hospitality ecosystem (Nguyen et al., 2021).

Economic and Social Functions

Beyond their economic role as generators of employment, foreign exchange, and tax revenue, three-star hotels and resorts contribute to local development through the sourcing of goods and services, skill development, and the fostering of entrepreneurship (Patel & Singh, 2017). As noted by Dlamini (2022), the mid-scale hospitality sector often serves as an entry point for small and medium-sized enterprises (SMEs) and local suppliers, thereby reinforcing the backward and forward linkages that underpin inclusive tourism development.

Moreover, the spatial distribution of three-star hotels—often situated in secondary cities, peri-urban areas, and emerging destinations—positions them as agents of regional economic diversification and urban-rural integration (Chatterjee & Banerjee, 2020). Their relatively modest capital requirements and operational flexibility render them adaptable to varying market conditions and regulatory environments.

Challenges Facing Three-Star Hotels

Despite their strengths, three-star hotels confront distinct challenges. Chief among these are competitive pressures from alternative accommodation providers (e.g., short-term rentals), escalating operational costs, and the need to comply with evolving standards of service, safety, and environmental performance (Kumar & Pandey, 2019). The COVID-19 pandemic further accentuated vulnerabilities related to liquidity, occupancy rates, and workforce retention (Ramirez & Thomas, 2021). These dynamics have prompted owners and managers to seek innovative operational models, including leasing arrangements and partnerships with external operators such as cooperative tourism societies.

Leasing in the Hospitality Sector: Concepts, Models, and Practices

The Concept of Leasing in Hospitality

Leasing, as applied in the hospitality industry, refers to a contractual arrangement whereby the owner of a hotel

or resort property (the lessor) grants operational rights to a third party (the lessee) in exchange for rent or a share of the revenue (Baker & Zhao, 2017). The lessee assumes responsibility for day-to-day management, staffing, marketing, and service delivery, while the lessor retains ownership of the underlying asset.

Leasing models are distinguished from other modes of operation such as management contracts (where the owner retains greater control but delegates management functions) and franchising (where the property operates under a branded system but maintains ownership and some operational autonomy) (García & Hernández, 2019). The choice of model reflects considerations of risk allocation, capital investment, expertise, and market positioning.

Types of Leasing Arrangements

Leasing models in the hospitality sector can be broadly categorized as follows:

- **Fixed Lease:** The lessee pays a predetermined rent to the lessor, irrespective of the property's financial performance. This model provides income stability for the owner but exposes the lessee to market risks (Baker & Zhao, 2017).
- **Variable Lease:** The rent is linked to a percentage of the gross or net revenue generated by the property, aligning the interests of both parties and sharing operational risks (Patel & Singh, 2017).
- **Hybrid Lease:** Combines elements of fixed and variable leases, typically involving a base rent plus a revenue-based component (Lee & Kim, 2018).
- **Turnkey Lease:** The lessor delivers a fully operational property, and the lessee assumes immediate responsibility for operations, often with minimal capital outlay (Nguyen et al., 2021).

The legal and financial architecture of leases is shaped by national legislation, industry standards, and the bargaining power of the contracting parties (Dlamini, 2022).

Advantages and Disadvantages of Leasing

Leasing offers several advantages to property owners, including predictable income streams, reduced operational complexity, and the ability to focus on asset management (Smith et al., 2020). For lessees, especially entities with operational expertise but limited capital, leasing provides access to existing infrastructure and established markets.

However, leasing also entails challenges. Owners may forgo potential upside from strong operational performance, while lessees bear the risk of underperformance and may face constraints in property modification or branding (Kumar & Pandey, 2019). The success of leasing arrangements depends on clear contractual terms, alignment of incentives, and transparent governance structures.

Leasing in the Context of Three-Star Hotels and Resorts

The applicability of leasing models to three-star hotels and resorts is particularly pronounced given the segment's need for operational flexibility, cost control, and market responsiveness. As noted by García and Hernández (2019), leasing enables property owners (who may be individuals, families, or local businesses) to leverage the expertise of professional operators, including cooperative tourism societies, without ceding ownership. This arrangement is conducive to enhancing service quality, optimizing resource utilization, and achieving economies of scale.

Additionally, the moderate scale and standardized nature of three-star properties make them suitable for leasing, as they are less likely to require extensive structural modifications or capital-intensive repositioning (Lee & Kim, 2018). The alignment of leasing with mid-market positioning supports efficient asset turnover and rapid adaptation to shifting demand patterns.

Cooperative Tourism Societies: Structure, Principles, and Evolution

Defining Cooperative Tourism Societies

Cooperative tourism societies are collective organizations established to develop, operate, or manage tourism-related enterprises on behalf of their members, who may be local residents, workers, or other stakeholders (Chatterjee & Banerjee, 2020). Rooted in the broader cooperative movement, these societies are guided by principles of democratic governance, member participation, equitable benefit-sharing, and community development.

Unlike conventional private or corporate operators, cooperative tourism societies seek to balance economic objectives with social, cultural, and environmental goals (Dlamini, 2022). Their activities may encompass accommodation, tours, cultural events, and destination management, often with an emphasis on local empowerment and sustainability.

Governance and Organizational Structure

The governance of cooperative tourism societies is typically based on the "one member, one vote" principle, ensuring that decision-making power is distributed equitably among members (Chatterjee & Banerjee, 2020). Boards of directors are elected from the membership, and operational roles are filled either by members or by professional managers hired by the cooperative.

Financial resources are sourced through member contributions, retained earnings, external loans, or grants (Nguyen et al., 2021). Surpluses are reinvested in operations or distributed among members, in accordance with statutory provisions and the society's bylaws.

Legal frameworks governing cooperatives vary by jurisdiction, but generally provide for regulatory oversight, transparency requirements, and mechanisms for dispute resolution (Patel & Singh, 2017).

Historical Evolution and Global Trends

The roots of cooperative tourism can be traced to the broader cooperative movement of the 19th and 20th centuries, which sought to address socio-economic inequalities through collective action (Dlamini, 2022). In the tourism sector, cooperative models gained traction in response to the challenges of mass tourism, cultural commodification, and environmental degradation.

Contemporary expressions of cooperative tourism range from community-based lodges in Africa and Asia to worker-owned travel agencies in Europe and North America (Kumar & Pandey, 2019). The rise of “social economy” paradigms and the growing demand for authentic, responsible tourism experiences have further catalyzed the proliferation of cooperative initiatives.

Cooperative Tourism Societies and Sustainable Development

Cooperative tourism societies are widely recognized for their contributions to sustainable tourism development. By involving local communities in decision-making, ensuring equitable distribution of benefits, and prioritizing environmental stewardship, cooperatives align with the United Nations’ Sustainable Development Goals (SDGs), particularly SDG 8 (Decent Work and Economic Growth) and SDG 12 (Responsible Consumption and Production) (Ramirez & Thomas, 2021).

Moreover, cooperatives are often better positioned than conventional operators to respond to local needs and to foster social cohesion, cultural preservation, and capacity-building (Patel & Singh, 2017). Their embeddedness in local contexts facilitates the negotiation of tourism’s social and environmental impacts.

Leasing Three-Star Hotels and Resorts to Cooperative Tourism Societies:

Mechanisms, Case Studies, and Best Practices Rationale for Leasing to Cooperatives

Leasing three-star hotels and resorts to cooperative tourism societies offers a convergence of interests among property owners, local communities, and external stakeholders. From the owner’s perspective, cooperative lessees offer stable tenancy, a commitment to sustainable operations, and alignment with community values (Chatterjee & Banerjee, 2020). For cooperatives, leasing provides access to physical infrastructure and market opportunities that might otherwise be unattainable due to capital constraints.

Furthermore, such arrangements can leverage the collective knowledge, networks, and entrepreneurial spirit of cooperative members, resulting in innovative service offerings and enhanced guest experiences (Nguyen et al., 2021).

Modalities of Leasing Arrangements

Leasing agreements between property owners and cooperative tourism societies generally adhere to established principles of contract law, while incorporating provisions that reflect the cooperative’s mission and operational model (Dlamini, 2022). Key elements of such leases include:

Term of Lease: The duration, renewal options, and termination clauses.

Rent Structure: Whether fixed, variable, or hybrid, often with incentives for meeting social or environmental performance targets (Patel & Singh, 2017).

- **Maintenance and Upgrades:** Allocation of responsibility for repairs, capital improvements, and compliance with regulatory standards.
- **Branding and Marketing:** Rights and obligations related to the use of cooperative or property brands.
- **Community Engagement:** Requirements for local hiring, sourcing, and stakeholder consultation.
- **Performance Monitoring:** Mechanisms for reporting, audits, and dispute resolution.

The negotiation of lease terms is influenced by the bargaining power of the parties, the regulatory environment, and the strategic objectives of the cooperative and the owner (Lee & Kim, 2018).

Case Studies

Case Study I: The Green Valley Resort Cooperative (Asia)

The Green Valley Resort, a three-star property in Southeast Asia, was leased to a local tourism cooperative following years of underperformance under private management. The lease specified a hybrid rent structure (base rent plus a percentage of gross revenue) and included provisions for community engagement, environmental certification, and reinvestment of profits in local infrastructure (Nguyen et al., 2021). Within three years, occupancy rates increased, guest satisfaction scores improved, and the cooperative was able to expand its membership to include local artisans and farmers.

Case Study 2: The Lakeside Hotel Cooperative (Europe)

In a European context, the Lakeside Hotel—a family-owned three-star hotel—entered into a long-term lease with a regional cooperative tourism society. The cooperative implemented a participatory management model, involving

staff and community members in decision-making. The lease agreement incorporated sustainability clauses, including waste reduction targets and preferential sourcing from local suppliers (García & Hernández, 2019). The hotel's financial performance stabilized, and it received recognition for its social responsibility initiatives.

Case Study 3: The Desert Oasis Resort (Africa)

The Desert Oasis Resort, located in a remote area of North Africa, was leased to a cooperative formed by local nomadic communities. Supported by a non-governmental organization, the cooperative negotiated a flexible lease with performance-based rent and technical assistance provisions. The arrangement facilitated the integration of cultural heritage experiences into the resort's offerings, generating new revenue streams and strengthening community identity (Dlamini, 2022).

Best Practices in Leasing to Cooperatives

Analysis of these and other cases reveals several best practices:

Inclusive Negotiation: Involving all stakeholders—including owners, cooperative members, local authorities, and external advisors—in the design of lease agreements enhances buy-in and reduces the risk of conflict (Patel & Singh, 2017).

- **Capacity Building:** Providing training and technical support to cooperative members strengthens operational performance and governance (Nguyen et al., 2021).
- **Performance-Based Incentives:** Structuring rent and renewal terms to reward achievement of social, environmental, and financial targets aligns interests and fosters innovation (Lee & Kim, 2018).
- **Transparent Reporting:** Establishing clear mechanisms for financial and operational reporting enhances accountability and trust (Kumar & Pandey, 2019).
- **Legal Clarity:** Drafting detailed contracts that anticipate contingencies and clarify roles, responsibilities, and dispute resolution procedures minimizes uncertainty and litigation risk (Baker & Zhao, 2017).

Advantages and Challenges of Leasing to Cooperative Tourism Societies

Advantages Economic Benefits

Leasing to cooperative tourism societies can generate stable income for property owners, while enabling cooperatives to access established assets without prohibitive capital investment (Smith et al., 2020). The pooling of member resources and collective management can yield economies of scale and operational efficiencies (García & Hernández, 2019).

Furthermore, cooperatives often excel at mobilizing local networks, attracting grant funding, and leveraging volunteer labor, thereby enhancing the property's competitiveness and resilience (Chatterjee & Banerjee, 2020).

Social and Community Benefits

Cooperative leasing fosters inclusive development by embedding tourism enterprises within the social fabric of the destination. Local hiring, profit-sharing, and participatory governance ensure that benefits are widely distributed and that operations are attuned to community needs (Dlamini, 2022). These features can mitigate the negative social impacts often associated with conventional tourism development, such as displacement, loss of cultural identity, and social stratification (Patel & Singh, 2017).

Environmental Sustainability

Cooperatives are generally well-positioned to implement sustainable practices, given their long-term orientation and accountability to local stakeholders (Ramirez & Thomas, 2021). Leasing arrangements can incorporate environmental performance benchmarks, incentivizing investment in energy efficiency, waste management, and biodiversity conservation (Lee & Kim, 2018).

Risk Sharing and Flexibility

Variable and hybrid lease models enable risk sharing between owners and cooperatives, reducing the financial exposure of both parties and facilitating adaptation to market fluctuations (Baker & Zhao, 2017).

Challenges

Capacity Constraints

Many cooperative tourism societies face challenges related to managerial expertise, access to finance, and compliance with regulatory requirements (Nguyen et al., 2021). Without adequate training and support, cooperatives may struggle to maintain service standards and financial viability, particularly in competitive markets.

Governance Complexity

The democratic governance structures of cooperatives, while inclusive, can also lead to slow decision-making and internal conflicts, especially if member interests diverge (Chatterjee & Banerjee, 2020). Effective leadership and clear bylaws are essential to navigate these complexities.

Legal and Regulatory Barriers

In some jurisdictions, legal frameworks governing cooperatives are underdeveloped or inconsistently enforced, creating uncertainty for both owners and lessees (Dlamini, 2022). Issues related to land tenure, contract enforcement, and taxation can impede the negotiation and execution of leases.

Market Perceptions

Cooperative-operated hotels and resorts may face skepticism from guests, travel agents, and investors who associate cooperatives with informality or lower service standards (García & Hernández, 2019). Overcoming these perceptions requires targeted marketing and demonstrable commitment to quality.

Financial Sustainability

The reliance on member contributions and limited access to external finance can constrain cooperatives' ability to invest in property upgrades, marketing, and technology (Kumar & Pandey, 2019). Hybrid financing models and partnerships with development agencies can help address these gaps.

Policy Implications and Recommendations

The analysis presented in this paper suggests that leasing three-star hotels and resorts to cooperative tourism societies holds considerable promise for advancing sustainable, inclusive, and resilient hospitality development. To realize this potential, policymakers, industry stakeholders, and cooperative leaders should consider the following recommendations:

Strengthening Legal and Institutional Frameworks

National and regional governments should review and strengthen legal frameworks governing cooperatives, with a focus on clarifying rights, obligations, and protections for both lessors and lessees (Dlamini, 2022). Streamlined registration processes, dispute resolution mechanisms, and access to legal counsel are critical for facilitating effective leasing arrangements.

Facilitating Access to Finance and Technical Assistance

Development agencies, financial institutions, and philanthropic organizations should design targeted programs to provide cooperatives with access to credit, grants, and technical assistance (Nguyen et al., 2021). Capacity building in areas such as financial management, marketing, and hospitality operations will enhance the viability of cooperative lessees.

Promoting Multi-Stakeholder Partnerships

Multi-stakeholder platforms that bring together property owners, cooperatives, local governments, and tourism boards can foster collaboration, share best practices, and coordinate investments in infrastructure, training, and destination marketing (Patel & Singh, 2017).

Incentivizing Sustainable Practices

Incorporating social and environmental performance criteria into lease agreements—such as targets for local employment, procurement, and resource efficiency—

can align incentives and catalyze innovation (Lee & Kim, 2018). Recognition schemes and certifications can further incentivize sustainable operations.

Raising Awareness and Building Market Confidence

Targeted marketing campaigns, quality assurance initiatives, and participation in industry networks can enhance the reputation of cooperative-operated hotels and resorts, attracting new guests and partners (García & Hernández, 2019).

Conclusion

Leasing three-star hotels and resorts to cooperative tourism societies represents a transformative approach to hospitality management, combining the benefits of professionalized operations, community empowerment, and sustainable development. The convergence of leasing models and cooperative principles offers a pathway for property owners to unlock value, for cooperatives to access market opportunities, and for destinations to foster inclusive and resilient tourism growth.

While challenges related to capacity, governance, and finance persist, best practices and supportive policy frameworks can mitigate these risks and enable cooperative lessees to thrive. The cases and analyses presented in this paper underscore the potential of leasing as a tool for advancing the social, economic, and environmental objectives of the hospitality sector.

Future research should further explore the long-term impacts of cooperative leasing on community well-being, destination competitiveness, and the evolution of tourism governance. By deepening our understanding of these dynamics, stakeholders can harness the full potential of cooperative leasing to build a more equitable, sustainable, and prosperous future for the hospitality industry.

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