

TRADE AND EXPORT PROMOTION OF NEPAL

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial fulfillment of the requirements for the Master's Degree

by

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Trade and Export Promotion of Nepal**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of this dissertation.

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REPORT OF RESEARCH COMMITTEE

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APPROVAL SHEET

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ABBREVIATIONS

| | | |
|---------|---|--|
| BS | : | Bikram Sambat |
| BIMSTEC | : | Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation |
| BFI | : | Bank and Financial Institutions |
| e.g. | : | Example |
| FNCCI | : | Federation of Nepalese Chambers of Commerce and Industry |
| FY | : | Fiscal Year |
| GATT | : | General Agreement on Tariffs and Trade |
| GDP | : | Gross Domestic Product |
| i.e. | : | That is |
| IMF | : | International Monetary Fund |
| ITC | : | International Trade Centre |
| MOICS | : | Ministry of Industry, Commerce and Supplies |
| MOF | : | Ministry of Finance |
| MOFA | : | Ministry of Foreign Affairs Nepal |
| MSMEs | : | Micro, Small and Medium-Sized Enterprises |
| No. | : | Number |
| NRB | : | Nepal Rastra Bank |
| NTIS | : | Nepal Trade Integration Strategy |
| Rs. | : | Rupees |
| R&D | : | Research and Development |
| SAARC | : | South Asian Association for Regional Cooperation |
| SAFTA | : | South Asian Free Trade Area |
| SEZ | : | Special Economic Zones |
| SD | : | Standard Deviation |
| TEPC | : | Trade and Export Promotion |
| TU | : | Tribhuvan University |
| VAT | : | Value Added Tax |
| WB | : | World Bank |
| WTO | : | World Trade Organization |

ABSTRACT

The study focuses on the trade and export promotion of Nepal using annual data from FY 2071/72 to FY 2080/81. The main objectives of this study are to assess the current situation of trade and export promotion of Nepal as well as to analyze the relationship between export, import and GDP of Nepal. The research design for this study adopts a descriptive and causal comparative research design. The study is based on secondary data which have collected via ministry of finance. Data analysis is conducted using the Statistical Package for the Social Sciences (SPSS) program, applying descriptive statistics and correlation analysis to explore relationship between export, import and GDP. The descriptive analysis shows the GDP and imports have flatter distributions with moderate variability. Meanwhile, exports are slightly more skewed to the right but show less spread. The correlation coefficient (r) value between export and import is a very high positive relationship which indicates that when import increase, export also increased. The high positive correlation between export and GDP which shows that as Nepal's economy grows, exports are also growing. The correlation between import and GDP shows the imports increase significantly as the economy expands. The research shows that by strengthening export promotion strategies Nepal can promote sustainable economic growth, reduce the trade deficit and increase overall economic growth.

Key Words: Trade, Export Promotion, Export, Import, GDP

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Trade means the exchange of goods and services for the satisfaction of human wants. The exchange process includes purchases and sales of goods and services. Trade can be classified into two types- internal and international trade. The trade may take place within the geographical boundaries of a country or may extend across the border. International trade has two components: export and import. The export refers to sale of domestic goods in global market whereas import refers to purchase of foreign commodities (Shrestha et al., 2077). Nepal, a landlocked country located between China and India, has been seeking to enhance its economy by promoting trade and exports. It aims to provide a well-informed and analytical evaluation of trade and export promotion strategies in Nepal.

Nepal has implemented several initiatives to improve its trade and export activities. The country has been working to diversify its export products and markets to reduce dependency on a few products and countries. In addition, the government has been adopting trade facilitation initiatives to improve customs procedures and reduce trade barriers. One of the primary export areas promoted by Nepal is agriculture. The government has been encouraged the production of highly valuable agricultural products such as tea, coffee and herbs for export markets. Furthermore, Nepal has also been working on enhancing the quality and packaging of its products to meet international standards. In terms of trade promotion, Nepal has been actively participated in international trade fairs and exhibitions to promote its products to potential buyers. The government has also been helping local businesses enhance their marketing and export capacities (Dahal, 2021). Moreover, Nepal has been making an effort to improve its trade relations with neighboring countries and other trading partners. Nepal faces various obstacles due to limited infrastructure including transport and energy facilities, which require significant improvements to support trade activities. Furthermore, the lack of skilled manpower, low productivity, weak export base, ever-widening trade gap, policies

related problems, lack of desire for innovation in entrepreneurs and limited access to finance are hampering the growth of the export sector in Nepal (Pandey, 2020).

The efficiency of export promotion programs in Nepal is strongly connected to the regulatory environment and institutional structure that control trade policy. The study will explore the role of institutions such as the Trade and Export Promotion Centre (TEPC), Department of Commerce, Ministry of Industry, Commerce and Supplies, NRB, Ministry of Finance in formulating and implementing trade-related policies and programs. Assessing the strengths and weaknesses of these institutions, as well as their ability to support export-oriented enterprises, will be significant in identifying strategies to increase export competitiveness in Nepal (Bhattarai & Ghimire, 2020). Besides, the study will provide knowledge on the market dynamics and trade patterns that influence Nepal's export scenario. Understanding the demand-supply dynamics, market preferences and emerging opportunities in key export markets will inform strategies for diversifying export and expand into new markets. In particular, India and China will provide insights into the changing regional trade dynamics and their implications for Nepal's export promotion activities (Joshi, 2019).

In addition to examining the macro-level factors influencing Nepal's trade and export promotion, the study will also explore into the experiences and perspectives of micro, small and medium-sized enterprises (MSMEs) engaged in export activities. By conducting case studies with export-oriented businesses, the study aims to capture firsthand insights into the challenges faced by exporters including access to finance, market information, technical know-how and trade facilitation services (Acharya, 2021). The Nepalese economy, primarily based on agriculture, has seen consistent growth in recent years. However, its dependence on traditional agricultural practices and limited industrialization offers challenges to sustained economic development. The trade sector plays an important role in Nepalese economy, contributing significantly to its GDP and providing employment opportunities to a large segment of the population. Export promotion, therefore, emerges as a crucial strategy for enhancing economic growth, generating foreign exchange and fostering industrialization. Therefore, export promotion becomes an essential strategy for improving economic growth, earning foreign exchange, and promoting industrialization (Sharma, 2019).

The government of Nepal has recognized the importance of trade and export promotion in supporting economic growth and has implemented several policy initiatives to facilitate trade activities. Trade liberalization measures such as tariff reductions and the signing of regional trade agreements, aim to enhance market access for Nepali products and attract foreign investment (Bhatta, 2021). Additionally, export promotion programs including financial incentives, export credit facilities and capacity-building initiatives, seek to support domestic producers and exporters in accessing international markets (Rijal, 2020).

In the recent ten years overall world trade (Export) grew by 78.62 percent from Rs. 85.31 billion in FY 2071/72 to Rs. 152.38 billion in FY 2080/81. With the same period, total imports grew by 105.63 percent from Rs. 774.68 billion in FY 2071/72 to Rs. 1592.98 billion in FY 2080/81. And total GDP at current prices grew by 135.38 percent from Rs.2423.63 billion FY 2071/72 to Rs. 5704.84 billion in FY 2080/81 (source: ministry of finance). Nepal's exports primarily consist of carpets, textiles, garments, leather goods, handicrafts and agricultural products. Imports are dominated by petroleum products, machinery, vehicles and electronic goods etc. The trade balance has consistently been in deficit, highlighting the challenges in improving export competitiveness (source: TEPC).

Hence, trade plays an important role in the economic development of developing countries like Nepal to achieve sustainable long-term economic growth and development through targeted initiatives and strategic planning. Export income should be expanded to reduce imports. For that purpose, the quality of export products should be improved to compete in international markets. The domestic natural resources should be used appropriately and also improved rapidly production efficiency. Therefore, trade development is very important for economic growth of Nepal (Budhathoki, 2013).

1.2 Problem Statement

Nepal has a rich cultural heritage and stunning natural beauty, but it struggles to tap into its trade and export potential for economic growth and development. The complex business environment combined with internal and external forces has created a paradox that needs to be examined and analyzed.

The specific problem focused on in this study is inadequate trade and export promotion strategies in Nepal which hampers the country's economic development and integration with global markets. Despite various policies and programs aimed at increasing exports, Nepal faces challenges in expanding its trade volume, diversifying export bases and decrease in trade deficit. This problem results from a combination of factors such as inadequate understanding of market dynamics, poor policy implementation, lack of access to international markets and inadequate infrastructure. The lack of comprehensive understanding of market trends and export potential hampers Nepal from recognizing and exploiting emerging opportunities. In addition, poor implementation of trade policies and procedures, coupled with bureaucratic barriers, create barriers for businesses seeking to participate in international trade and inaccessibility to international markets.

The import volume has increased however Nepal has not been able to achieve competitive levels of export. As a result, Nepal can only export agricultural-based raw materials and having to import expensive finished products from other countries. Nepal is a landlocked, least developed and agriculture-based country that has obstacles in competing in the global market which shows the importance of trade for achieving sustainable economic growth and development. International trade is essential to achieving national objectives of economic growth to meet the needs of the rapidly growing import market. The research problem focuses on determining the extent to which export influences import and GDP in Nepal (Ghalan, 2023).

The problem specially related to trade and export promotion of Nepal under study have been presented briefly:

- i. What is the current situation of trade and export promotion of Nepal?
- ii. What is the relationship between export, import and GDP of Nepal?

1.3 Objectives of the Study

The study aims to investigate and provide insights into the trade and export promotion of Nepal. The specific objectives serve as a roadmap for the research study, guiding the researcher towards tackling essential inquiries and improving trade and export promotion in Nepal. The specific objectives of the study are as follows:

- i. To assess the current situation of trade and export promotion of Nepal.
- ii. To analyze the relationship between export, import and GDP of Nepal.

1.4 Rationale of the Study

This study provides information on Nepal's trade and exports. It contributes to strengthening the national economy by developing and expanding the country's trade and exports. This helps to achieve the goal of poverty alleviation by increasing the internal and external market of agricultural and other products and developing the rural economy. It helps to diversify business by identifying potential markets for exportable goods.

The study of Nepal's trade and export promotion is relevant to various stakeholders. It addresses important aspects of Nepal's economic situation, given the country's dependence on trade and exports to support growth and development. By exploring the specific challenges and opportunities Nepal faces in this sector, the study can provide valuable insights to policymakers, entrepreneurs and development agencies.

A landlocked country with a small domestic market, Nepal is highly dependent on international trade for development and prosperity. By actively promoting exports, Nepal can participate in foreign markets, generate much-needed income and create employment opportunities for its citizens. Additionally, a strong outsourcing sector can stimulate innovation and diversify the economy. May reduce dependence on traditional sectors such as agriculture and tourism. Moreover, trade promotion efforts can attract foreign investment. By joining the global economy, Nepal can increase its competitiveness, improve living standards and promote regional cooperation through initiatives such as SAFTA and BIMSTEC. In particular, trade and export promotion are important for Nepal's economic growth. It provides opportunities for sustainable development, poverty reduction and internationalization.

1.5 Limitations of the Study

Despite the comprehensive approach taken in this research, several limitations need to be acknowledged. The limitations of this study are as follows:

- The study is based on boundaries of limit area, subject and time.
- The study is largely dependent on secondary data obtained from the Ministry of Finance, Nepal which is not sufficient for comprehensive research and related articles, journals and it ignores primary source of data.
- The time frame of this study is reviewed the data of only ten fiscal years i.e. from 2071/72 to 2080/81.
- The study's scope is confined to certain variables such as export, import and GDP. They do not encompass all possible factors that could influence trade and export promotion.
- This study is conducted with the objective of assessing current status of trade and export promotion as well as analyzing the trade relations between export, import and GDP of Nepal.
- This study the limited descriptive analysis such as mean, median, standard deviation, skewness, kurtosis and correlation.

CHAPTER II

LITERATURE REVIEW

2.1 Introduction

Literature review refers to the study of previous research works and books with the purpose of knowing the research issue in detail and find out appropriate methodology. In other words, a comprehensive study of such document and preparation of a summary of the study of books, articles and resource reports available in the market on a topic is known as a literature review. Review of previous studies is very important in academic research because it helps to provide rational to the study know the methods of data collection and data analysis.

This chapter deals with the theoretical perspective of the topic on trade and export promotion of Nepal. It provides the foundation for developing a comprehensive theoretical framework and knowledge for the status relevant to the field of research in order to explore the relevant facts for reporting purpose. For this research study the related literature survey is done by consulting various articles, journals, newspapers, thesis, reports, books, NRB, TEPC, MOFA and some related research papers have been reviewed. Every possible effort has been made to grasp knowledge and information that is available from libraries, document collection centers, other information managing bureaus and internet. This chapter helps to collect relevant information to expand the references and inputs in my study. Conceptual framework provided by various authors, research scholars and so on. This chapter is broadly classified into two sectors: theoretical perspective and review of related studies.

2.2 Theoretical Review

Theoretical review is a comprehensive research process that examines and integrates relevant existing theories, frameworks, models and research related to a specific topic. It aims to provide a clear understanding of key concepts and their relationships and to guide the direction and scope of the study. Theoretical frameworks are derived from the review of relevant books, newsletters, documents, articles, research papers, journals, magazines,

brochures and web searches. It makes special efforts to integrate exports, imports and historical structure in the Nepal's economy.

2.2.1 History of Nepalese International Trade

International trade is regarded as engine of economic growth. It is an important factor to raise living standard of people, create employment opportunity and utilize the available resources. Nepal has trade relations with India and Tibet only before 1951 AD. But after the 1951s, Nepal's trade relationship expanded with many other countries of the world. The fall of the Rana Regime and the introduction of democracy in the year 2007 BS was a turning point for Nepalese foreign trade. International trade history can be viewed in terms of three categories i.e. international trade relationship with India, China and rest of the world. It is presented as follows:

a) With India

Nepal and India are neighboring country with centuries of socially, politically, geographically and economically relations based on common values, culture and language. Both are members of SAARC, SAFTA and BIMSTEC and have signed several agreements to promote trade and commerce. The Nepal and India established diplomatic relations on June 17, 1947. The ongoing commitment towards the principles of sovereign equality, peaceful cohabitation and understanding our mutual aspirations and sensitivity has served as a solid foundation for the expansion of our bilateral relations.

India is Nepal's largest trading partner. India has granted Nepal a transit route for third country trade. Both Indian public and private sectors have invested in Nepal. Trade statistics show that the volume of bilateral trade has increased significantly in the past years between the two countries. However, Nepal has a rising trade deficit with India. Nepal and India have signed bilateral Agreement on Transport, Agreement on Trade and Memorandum of Understanding on Cooperation for Control of Free Trade.

In FY-2080/81, total exports to India exceeded NPR 103.17 billion. During the same period, import from India exceeded NPR 996.68 billion (Source: Department of Custom, Nepal). Nepal's top export products in this fiscal year include Palm Oil, Soybean Oil,

Cardamom, Woolen Carpets, Iron and Steel Products and Polyester Yarn. Other traditional exports include Jute products, Leather goods, Ginger, Tea, Ready-made garments, Handicrafts, Argo- and Forest-based goods, Medicinal herbs while Plywood, Noodles, Rosin, Toothpaste and Shoes are emerging export products. Over the years, Nepal's imports have increased substantially. The major import products include petroleum products, transport equipment & parts, electronics, machinery & parts, rice, crude soya bean oil, medicine, telecommunication equipment and parts, readymade garments, fertilizer and coal etc.

b) With China

The Peoples's Republic of China and Nepal have a long and rich history together. The relationship between China and Nepal has traditionally been cordial and friendly. The Nepal-China established diplomatic relations on 1 August 1955. The relationship between the two countries have been remarkable by friendliness, understanding, mutual support, cooperation and respect for each other's sensitivities. Both countries have unwavering trust on the ideals of the Five Principles of Peaceful Co-existence. The two countries share a 1,414 kilometer in the Himalayan range on Nepal's northern side. Nepal has its Embassy in Beijing, Consulates General in Lhasa, Hong Kong and Guangzhou and an Honorary Consul in Shanghai. (<https://mofa.gov.np/nepal-china-relations>)

Nepal and China have been doing trade since ancient times. The border points that are open between the two countries are Kodari-Nyalam, Rasuwa-Keyrong, Yari (Humla)-Purang, Olangchunggola-Riwu, Kimathanka Riwu and Nechung(Mustang)- Lizi. However, border trade takes place through fourty old different passes. The border inhabitants of the two countries may, within area of 30 Kilometers from the border, carry on the traditional trade on barter basis. Kodari-Nyalam and Rasuwa-Kerong are the two points international trade via land route. Currently, the land routes have permitted quota of vehicles from China to Nepal owing to the outbreak of the covid pandemic. At present, China is second largest trading partner. Though volume of bilateral trade is small, trade deficit against Nepal is widening. Government of Nepal is encouraging businessmen to increase exports to China. Along with bilateral trade agreements, there is also an intergovernmental trade and economic committee at Vice Ministers' level for enhancing

trade and economic activities between the two countries.
(<https://cn.nepalembassy.gov.np/trade-in-nepal>)

In FY-2080/81, Nepal has exported NPR 2588 million of total exports to China. During the same period, import from China has NPR 298.77 billion (Source: Department of Custom, Nepal). Nepal-China trade deficit has increased. Although, China has granted zero tariff entry facility to over 8,000 Nepali products since 2010, Nepal has not been able to bring down the trade deficit. The Economic and Trade Fair agreement between the Government of Nepal and the Department of Commerce of China's Autonomous Region of Tibet in 1990. It is organized every two years in Kathmandu and Lhasa alternatively. This event conducted by both sides in an innovative manner to improve business contacts and promote economic cooperation between Nepal and China. The 17th Nepal-China (Tibet) Economic and Trade Fair was held in Kathmandu, Nepal on 29th April to 3rd May 2024.

c) With Overseas

Nepal's trade with overseas countries has been limited historically due to nation's relative economic backwardness, political and physical isolation. Beginning period of 20th century Nepal's international was limited namely in U.K., U.S.A and France. Before the World War II, Nepal imported goods from the countries, such as Japan, England, Singapore and export agricultural products. The Indo-Nepal trade agreement of 1950 required Nepal and India to follow a common traffic policy and with respect to other countries respective of their unusual circumstance and requirement.

After 1960, Nepal's overseas trade became feasible as the country required foreign currencies for its development efforts. Nepal's export had to be promoted through trade diversification. After the establishment of international institutions, in the wake of World War II including the World Bank, IMF and GATT, which WTO won in 1995 has played an important role in the international trade between Nepal and overseas. Also, have played an important role in promoting free trade in place of protectionism internationally. The new trend relates to the increasing liberalization of trade and capital markets: many governments are refusing to protect their economies from foreign competition or

influence through import tariffs and non-tariff barriers such as import quotas, export restrictions and legal prohibitions.

2.2.2 Theories of International Trade

There is no historical data regarding the development of trade in the world. It is believed that trade is as old as human civilization and existed a few 5000 years ago in the form of "Inter-city" trade, which implies trade between two cities. The historical perspective of international trade can be classified into the following stages: -

- a) Mercantilism (1500 to 1770 AD)
- b) Absolute Advantage Theory (1776)
- c) Comparative Advantage Theory (1817)
- d) Factor Endowment Theory (1933)
- e) Linder's Theory of Overlapping Demands (1961)
- f) Product Life-Cycle Theory (1966)
- g) Porter's Theory of Competitive Advantage
- h) New theories of Trade

a) Mercantilism (1500 to 1770 AD)

Mercantilism is the means to strengthen the political power by making a "strong nation" and a "strong government". The main key idea is Nations should accumulate wealth, primarily gold and silver, by maximizing exports and minimizing imports. Mercantilist believed that "only through mobilization of resources with the help of trade a nation's citizen desires are satisfied". The theory states that a nation must enter into trade to create trade surplus wealth and power. State power can be achieved by the through wealth and wealth can be gained through trade surplus. Wealth can be obtained by the government commercial policies of export promotion with incentives and import restriction with barriers, like tariffs and licensing, which result favorable balance of payments or trade surplus to make a nation strong. After sometimes, Adam Smith criticized the mercantilist's philosophy stating that it is a system of state protection. Mercantilist's philosophy gradually began to decline during the end of the 18th Century.

b) Absolute Advantage Theory (1776)

The Father of Economics, Adam Smith, is the first person to propound the theory of international trade in 1776. Adam Smith attempted to destroy the Mercantilism by introducing the concept of "Free Trade", "let the people trade as they saw fit". His Theory explains that, "trade takes place when one nation can produce a good a lower cost, than another nation". Absolute cost advantage is the capacity of a nation to produce more of a good, than another nation, with the same amount of input. According to this theory, specialization on the efficiently produced goods will help to increase world trade and output as well. It will result increase in efficiency of labour and production techniques and growth of outputs and ultimate export of excess production.

c) Comparative Advantage Theory (1817)

According to Prof. David Ricardo trade takes place under the condition of comparative cost advantage, "as long as the less efficient nation is not equally less efficient in production of both the products". Trade will take place when number of absolute advantages or absolute disadvantages are different between two goods in two countries. A country should specialize in producing and exporting goods in which it has a comparative advantage (lower opportunity cost) and import goods where it has a comparative disadvantage. Even if one country has an absolute advantage in all products, it can still benefit from trade by focusing on goods where it is relatively more efficient.

d) Factor Endowment Theory-Heckscher-Ohlin Model (1933)

In 1933, Prof. Bertil Ohlin, a Swedish economist, built on work begun by the economist, Prof. Eli Heckscher, in 1919, and finally developed the theory of factor endowment. The HO model explains that the differences in production cost occur, because of difference in supply of production factors. Comparative advantage arises for differences in factor endowments (labor, land and capital) between two countries. The countries export products requiring large amounts of the abundant production factors and import products requiring large amounts of their scarce production factors. The main assumptions are different goods have different factor intensities and countries differ with respect to their factor endowments.

e) Linder's Theory of Overlapping Demands (1961) – Demand or Income Based Theory

During early Sixties Prof, Stefan B. Linder propagated the concept the demand aspects or consumer's tastes that are strongly affected by the per capita income level and that determined the type of goods people buy. It might be especially fashionable products of high cost and quality like perfume, watches, jewelries, etc. being exchanged among developed countries such as; USA, Sweden, Germany, France and Japan. And it also might be very useful, but low quality and cheap price items that are being produced and exchanged among developing countries like toothpaste, shampoo, snacks in sachets, etc.

The goods produced initially for domestic market will find customers having similar income level in foreign markets and export of such goods starts and trade will be greater between nations having similar levels of per capita income. The both countries are demanding the same types of products. Therefore, the goods that will be traded are those for which there is an overlapping demand. Prof. Linder is the first person to explain the cause of trade based on income and demand.

f) Product Life-Cycle Theory (1966)

Prof. Raymond Vernon developed the International Product Life Cycle Theory (IPLC) in 1966. According to Raymond Vernon demand for new innovative products starts to grow home, as well as in foreign markets and later foreign countries find it cheaper to produce their home market. IPLC Theory explains that a new or innovative product that begins as a nation's export and ultimately becomes its imports. The pattern and direction of trades-export or import are highly influenced by the innovations based on research and development. IPLC stages are Introduction, Growth, Maturity and Decline.

g) Porter's Theory of Competitive Advantage

Prof. Michael Porter of Harvard Business School, conducted extensive research works on 100 industries in 10 countries and found the "determinants of national competitive advantage", that explained why some nations succeed and others fail in international competition. According to Porter, there are four attributes that have an impact on the ability of domestic firms in a country to utilize the resources in order to gain a

competitive advantage that finally will be led to increase in trades. The Porter's Diamond attributes are as below:

- a) Firm Strategy, Structure and Rivalry
- b) Demand Conditions
- c) Related and Supporting Industries
- d) Factor Endowments

h) New Theories of Trade

According to Rybczyns, an increase in the endowment (supply) of one the factors will reduce the production of goods, that intensively requires the other factor.

According to Stolper-Samuelson, protection will increase income of factors of production, used intensively in the good that receives protection. While doing so, the relative income of the factor of production used in the other goods will fall. Assuming that Nepal gives protection to shoe manufactures, the protection to this labour – intensive sector will hurt the capital-intensive sector because the income of laborers in shoe factories is likely to be higher than in capital intensive industries. Moreover, demand for protection always arises from the less efficient sectors in an economy and protection will end up hurting the other more efficient sectors in an economy.

2.2.3 Trends of International Trade

The trends of international trade in Nepal have seen significant shifts over recent decades. In the past decade overall world trade (Export) grew by 78.62 percent from Rs. 85.31 billion in FY 2071/72 to Rs. 152.38 billion in FY 2080/81. With the same period, total imports grew by 105.63 percent from Rs. 774.68 billion in FY 2071/72 to Rs. 1592.98 billion in FY 2080/81 (source: ministry of finance). Historically, Nepal is based on agriculture and has diversified its exports to include handicrafts, textiles and carpets. However, the trade balance remains consistently negative due to high dependency on imports, particularly from India and China for petroleum products, machinery and consumer goods. Remittances from Nepalese working abroad play an important role in reducing the trade deficit. Despite challenges such as political instability, infrastructure deficits, increased trade volumes, supported by trade agreements and regional cooperation initiatives.

2.2.4 Current Trade Dynamics

a) Major Trade Partners and Agreements

Nepal's major trading partners include India, China, the United States and European Union countries. Nepal's trade is heavily influenced by the relationship between India and China, which accounts for the largest share of its imports and exports. Other notable partners are the USA and the European Union. Nepal's participation in regional agreements such as SAFTA and BIMSTEC also plays an important role in shaping trade policy.

b) Export and Import Composition

Nepal's exports primarily consist of carpets, textiles, garments, leather goods, handicrafts and agricultural products. Imports are dominated by petroleum products, machinery, vehicles and electronic goods. The trade balance has consistently been in deficit, highlighting the challenges in improving export competitiveness.

2.2.5 Trade Promotion Strategies

a) Government Policies and Initiatives

The Nepal Trade Integration Strategy (NTIS) aims to enhance the export potential of specific goods and services. Policies such as the Trade Policy 2015 focus on diversifying export products, enhancing competitiveness and capacity building to improve the overall trade environment. It aims to create a conducive environment for trade by reducing trade barriers, simplifying customs procedures and encouraging foreign direct investment (FDI).

b) Role of Institutions

Key institutions such as Trade and Export Promotion Centre (TEPC), Federation of Nepalese Chambers of Commerce and Industry (FNCCI) and trade associations play an important role in promoting trade. TEPC provides market access, provide trade-related information, facilitating trade fairs and exhibitions, training and capacity-building programs to enhance the skills of exporters. FNCCI supports trade promotion by advocating for favorable trade policies, organizing trade missions and fostering public-

private partnerships. The federation also provides a platform for businesses to collaborate and share best practices. Trade associations such as the Nepal Carpet Exporters Association and the Nepal Handicraft Association, play significant roles in promoting specific sectors. These associations provide sector-specific support, including market research, quality improvement and branding initiatives.

c) International Trade Agreements

Nepal is a member of the World Trade Organization (WTO) and has signed several bilateral and regional trade agreements including the South Asian Free Trade Area (SAFTA) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). These agreements aim to reduce trade barriers, increase market access and enhance regional cooperation. These agreements are designed to further integrate Nepal into the global trade network.

d) Infrastructure Development

Investments in transportation infrastructure such as roads, railways and airports are critical to improving trade efficiency. Establishing trade routes and increasing contacts with key traders can facilitate more efficient and cost-effective trade. The development of dry ports and modern warehouse can simplify customs procedures and reduce logistics costs. These facilities help in efficient handling, storage and transportation of goods, enhancing trade competitiveness. Enhancing digital infrastructure, such as high-speed internet and e-commerce platforms, is crucial for integrating Nepalese businesses into the global digital economy. Supporting digital literacy and transformation programs helps businesses expand their market reach and reduce transaction costs.

e) Capacity Building and Skill Development

Targeted training programs for exporters and trade professionals can enhance their skills and knowledge. These programs can cover areas such as international trade regulations, quality standards and export documentation. Supporting SMEs to access international markets is crucial for diversifying exports. Initiatives such as providing financial support,

facilitating market linkages and technical support can empower SMEs to compete effectively on a global scale.

2.2.6 Challenges/Problems and Opportunities of Foreign Trade in Nepal

Foreign trade in Nepal has both challenges as well as opportunities. The major opportunities and challenges are listed as follows.

Challenges/ Problems:

Nepal's foreign trade is going towards loss. Exports of goods are increasing at a slow rate, while imports are increasing at a very high rate. Due to the high growth in imports, the country is experiencing a growing trade deficit. In this context, the problems and challenges that Nepal is facing in the field of foreign trade are as follows.

- ❖ Poor access to transit facilities: Nepal is a landlocked country. It does not have direct access to the sea. Transit facility to Nepal always has to depend on India's will. Due to the overdependence upon India, Nepal's ability to trade with overseas countries is very limited.
- ❖ Open border with India and illegal trade: This reduces the competitiveness of domestic industries and the government loses tax revenue, increases corruption and black-marketing and reduces the tax base.
- ❖ No competition in the international market due to low quality of Nepali products.
- ❖ Foreign trade is limited and primarily concentrated in India.
- ❖ Lack of diversification in trade regarding both commodities and countries
- ❖ Export of limited, agricultural and low-value goods. This shows the narrow base of Nepal's foreign trade.
- ❖ Lack of support from banks and financial institutions as well as the private sector and export-oriented industries are not fully reliable with most being seasonal in nature.
- ❖ Use of primitive technology, inefficient labour force and imported raw materials, the cost of production of commodities in Nepal is very high in comparison to India and other countries.
- ❖ Lack of expertise, knowledge and research in the area of foreign trade
- ❖ Unstable political environment

- ❖ Lack of modernization, commercialization and automation in agriculture sectors as well as other sectors related to the production of commodities.
- ❖ Inefficient implementation of concerned policies
- ❖ The flow of foreign goods without any restriction in the Nepalese market has highly dominated the products of Nepal in terms of price, quality and quantity. As a result, Nepalese products are losing their existence not only international markets but also in the domestic market.
- ❖ Publicity and advertisement have a vital role in the promotion of export trade. As these have not been handled in an attractive way, speedy and satisfactory development of Nepal's export trade could not take place.

Opportunities:

- Creation of a favorable investment environment,
- Access to big marketplaces,
- The possibility of increasing agricultural and industrial products and exporting them to developed countries including the neighboring ones,
- Higher potential for producing hydroelectricity to export to the global market,
- Increase in tourism infrastructure and tourism developing schemes to earn foreign exchange,
- Possibilities are alive to increase the inflow of remittance by enhancing the skills and efficiency of migrant workers,
- High possibility to attract foreign investment in the priority areas such as energy, tourism, mineral and industrial production.

2.2.7 Causes of Increasing Trade Deficit in Nepal

From an economic point of view, it is not considered inappropriate to import goods that cost more while producing internally, but it is a big problem in Nepal due to low production and increasing import without producing some goods. Therefore, increasing imports of easily and domestically producible agricultural products and even luxury items in terms of national income is not conducive to the economy. With remittances filling the negative pressure on the balance of payments created due to the growing trade deficit in a country like Nepal, if for some reason there is a problem in the flow of remittances, its

short-term impact is sure to be very difficult to sustain an economy like ours. The Nepalese economy is recently facing the same problem in its balance of payment. Therefore, an uncontrolled trade deficit can be harmful to the economy. The main reasons for the increasing trade deficit in Nepal can be shown as follows.

- Lack of production of saleable goods for sale in other countries
- Identification issues with comparative advantage products
- Due to the high cost and time required for the import of raw materials and the additional cost of transporting the manufactured goods to the destination market, production is declining and the competitiveness of the manufactured goods is weak in the international market.
- Although the wages of the workers in the productive industries are comparatively less in our country, the productivity is very low, so other countries are producing the same unit goods at lower prices and due to that Nepali products have become less preferable.
- Lack of an education system that promotes entrepreneurship growth
- Nepal's weak economic diplomacy
- Increasing import of petroleum products and vehicle parts
- Lack of harmonious industrial relations between industrialists and stakeholders.
- Lack of confidence in Nepalese industries ability to compete with imported products
- Insufficient financial facilities and high financing costs
- Lack of skilled and committed workforce
- Insufficient adoption of modern technology and improved methodologies.

The Nepalese trade sector has been facing the problem of an increasing deficit because of excessive raise in imports and slower export growth. Nepal's inability of identifying and developing exportable goods and industries, availability of easy money, increasing desire of enjoying a higher standard of living and failure to encourage investors to produce priority goods and services as well as those goods in which Nepal could have an advantage may be the major reasons behind maintaining trade deficit.

2.2.8 Efforts to Manage Trade Deficit/Promote Export Trade

a) Institutional Efforts (NRB)

- Nepal Rastra Bank (NRB) has been promoting investments in small and cottage industries by making it compulsory for commercial banks to invest a certain percentage of total loan investment in productive sectors including hydropower, agriculture and small and cottage industries.
- NRB has also been promoting investments in micro-enterprises, agriculture, livestock business and renewable energy in the form of deprived sector lending.
- Investments in hydropower sectors are provided a general refinance facility. Refinance facility is also available to small and cottage industries.
- NRB directly supports export by providing special refinance for exports of cardamom and other goods. Similarly, export refinance is provided to banks to forward the loan at a minimum interest rate to export business firms/companies.
- The government of Nepal has arranged various organizations for business promotion such as the Board of Trade, Business Promotion Foundation, Special Economic Zone and Export Processing Zone, Trade Policy Analysis Mechanism, Service Business Promotion Council, etc. in the business policy.

Investments in these sectors help to promote hydropower, small and medium enterprises, replace imports of agriculture products, petroleum and several traditional goods as well as exports.

b) Government's Efforts

- The government has introduced a Trade policy and made timely amendments as per requirements to adapt to the changes. Trade policy has strategies to create a conducive environment for making trade competitive at the international level, promoting export as well as creating employment opportunities within trade.
- Special Economic Zones (SEZ) are being established in several places and SEZ Act has been introduced to govern SEZ. VAT, Tax, custom duties exemptions and

many privileges are provided to industries established within SEZ and it is a completely strike-restricted zone. An export promotion zone is designated within a SEZ to facilitate the development of export-oriented industries.

- National Trade Integration Strategy (NTIS) 2016 was formulated to address challenges of competitiveness being encountered by the country's trade sector. The strategy was dedicated to Strengthening trade and export enabling environment, trade negotiation, focusing on product development and strengthening the institutional and supply capacity of priority products, inter-agency coordination, building and enhancing trade-related infrastructures.
- Customs Reform and Modernization strategy and Action Plan 2017-21 have been implemented by the Ministry of Finance realizing the vital role that customs play in facilitating export competitiveness.
- Procedures have been made to honor and appreciate outstanding exporters, investors, employers and businessmen and foreign importers
- Export promotion efforts through incentive programs designed to attract more firms into exporting such as help in product, market identification, pre-shipment and post-shipment financing, training, payment guaranty schemes, trade fairs, trade visits, foreign representation etc.

c) Role of Bank and Financial Institutions (BFIs)

- BFIs should take a more proactive approach in increasing their investment in the productive sector.
- BFIs should provide loan concessions to entrepreneurs working in the productive sector.
- Entrepreneurs in the productive sector should be supported by BFIs through the provision of overdraft facilities.
- To run programs to promote local production.
- To coordinate with the concerned agencies for the promotion of the goods produced in the country in the international market.
- To play a role in providing subsidies and incentives for export-oriented goods.
- To create an interbank program and collaborate with various ministries.

- To use the help desk to spend the remittance income on various income-generating and productive activities

2.3 Empirical Review

2.3.1 Review of Articles and Journal

Phaju (2023) conducted research on "Causal Relationship among Exports, Imports and Economic Growth in Nepal: Evidence from VAR Model" which is focusing on exports, imports, RGDP, VAR, Variance Decomposition over the period from 1975 to 2020 using yearly data. The main objectives of this study are to investigate the causal relationship among Nepal's exports, imports and real GDP, as well as to analyze the impact of exports and imports on Nepal's economic growth. This study uses Vector Autoregressive Model (VAR), given that Johansen's approach indicates there is no cointegration among the variables. The results of VAR granger causality test shows that real GDP affects exports but exports do not cause changes in both real GDP and imports. The study highlights the importance of trade for promoting economic growth and suggests that Nepal heavily relies on imports on support its exports industry.

Bhattarai (2022) conducted a comprehensive study on "Effect of Exports and Imports on the Economic Growth of Nepal". The main objective is to investigate the correlations and dynamic impact between export, import and economic growth in Nepal using time-series data from 1988 to 2021. The data was gathered from the quarterly economic bulletins of NRB and the government of Nepal's annual economic assessment with data analyzed using EViews 12 software. The descriptive analysis, coefficients of correlation and regression are calculated in this study. The major findings are that exports have a negative association with GDP while imports show a strong positive correlation with GDP. Regression analysis results indicated that both export and import volumes have a high degree of influence Nepal's economic growth.

Lhassan, Ezekari, Belamhitou & Hachimi (2022) conducted research on "The effect of logistics performance determinants on export performance". The work in this paper is focusing on logistics performance, collaboration, information sharing, strategy, export performance. The objectives of this research paper are to access the impact of the determinants of logistics performance on export performance in the northern region of Morocco, as well as to develop a conceptual model based on existing literature and to test

it with exporting companies in the northern region of Morocco. The methods in this paper included the quantitative exploratory factor analysis and confirmatory factor analysis. The exploration chose sample of 30 exporting companies from the northern region of Morocco by using questionnaire survey. Data were purified using exploratory factor analysis including Principal Component Analysis (PCA) and fundamental prerequisite assessing the psychometric quality of the scales used to collect the data with applying the regression method. These analyses are performed using SPSS 25 software. Quantitative Confirmatory Phase includes the validation of the hypotheses using the SMART PLS 3 software for simple and multiple linear regression methods. The questionnaire was tested on 90 respondents from exporting companies in northern Morocco. This was to ensure they fully understand the questions and are unlikely to refuse to answer. The results of our empirical study showed that the three determinants of logistics performance i.e. collaboration, information sharing and logistics strategy have a strong effect on the export performance of exporting companies surveyed.

Regmi (2021) published research on "Exporter's Perception and Awareness on Export Promotion in Nepal" investigates how exporters from the Kathmandu Valley perceive the export promotion efforts by the Nepalese government. The study uses a descriptive research design based on primary data collected from field survey and personal interviews with exporter's respondents from Kathmandu Valley. The regression analysis reveals that the key factors influencing exporter's satisfaction include risk factors, awareness of export promotion participation and export destinations. The significant findings show that export supply availability and export destinations are key factors for participation in export promotion whereas past experience does not have a significant impact on exporter's satisfaction levels. The study suggests enhancing export performance through better infrastructure, simplifying customs procedures and establishing Special Export Zones (SEZs) with initial concessions and subsidies to promote exports.

Massyn, Bezuidenhout & Kleynhans (2021) studied on "An Assessment of Instruments Utilized by Export Promotion Agencies in Eastern Africa" provides a comprehensive analysis of the different methods and strategies used by export promotion organizations (EPOs) in the East African Community (EAC). The work in this paper is focusing on trade, export promotions, trade facilitation, trade support, trade organizations, East Africa, EAC. The main objective of this research paper is to identify the export promotion

instruments utilized by export promotion agencies in Eastern Africa as well as to explore the role and impact of export promotion agencies in facilitating international trade and economic development in Eastern Africa. The study focuses on countries including Uganda, Burundi, Kenya, Rwanda and Tanzania, highlighting the structural differences and similarities in their respective EPOs. The methodology involves a qualitative, case study approach using onsite observations and unstructured interviews. The result suggests that export promotion instruments applied include promotional events, advertising, legal assistance, capacity building concerning pricing, quality requirements, packaging, planning and preparation for export market engagement. The research gap in the literature regarding the operational mechanisms of EPOs in this region, underscoring their adaptability to socio-economic, political and trade dynamics. This adaptability is evidenced by recent institutional mergers in Kenya and Rwanda, although the drivers of such changes remain outside the scope of the study. The major findings indicate that the export promotion organizations (EPOs) in the EAC are designed to meet the specific needs of their exporters, adapting to market changes and aligning with the ITC's goal of increasing sustainable exports. EAC countries use both general and specific export promotion strategies tailored to local markets, with unique approaches in Kenya, Rwanda, Tanzania and Uganda to support and market exporters effectively.

Chhetri (2021) conducted research on the topic of " The Impact of Trade Deficit in Nepalese Economy". This paper's objective is to analyze the growth and direction of Nepalese foreign trade along with the causes and recommendations of trade deficit. This study uses quantitative descriptive method to understand the trade scenario, import export value and the trade deficit of Nepal, data have been collected after the liberalization of international trade in Nepal from 2012/13 to 2019/20. The work in this paper is focusing on exports, imports, remittance, trade deficit. The major causes of the trade deficit in Nepal are political instability, lack of resources, landlocked, devaluation of domestic currency, lack of export diversification, low quality goods, high cost of production, challenges in adopting modern technologies, all contributing to a dependency on imports, inadequate industrial infrastructure etc. India remains the largest export destination of total exports, while China's share is gradually increasing. After analyzing barriers in foreign trade, recommended actions include improving competitive ability and enhancing human resources, diversifying commodities and markets, incentives for the export

promotion, formulation of strong legal framework, trade policy, priority in the agricultural and hydropower sectors.

Le & Bui (2020) conducted research on "The Impact of Trade Promotion on Economic Growth- The Empirical Evidence from A Panel". The main objectives of this research paper are to investigate the relationship between government expenditure on trade promotion and economic growth. The work in this paper is focusing on economic growth, trade promotion strategy, government expenditure on trade promotion: Share of GDP, determinants of economic growth i.e. trade openness, technological progress, unemployment rate, population. This study uses fixed effect regression model on a sample of 30 countries including 15 developed and 15 developing countries over the period 1970-2015. The study finds that an increase in government expenditure on trade promotion activities positively correlates with higher economic growth rates and higher trade openness. This conclusion is based on strong empirical evidence that supports the hypothesis that trade promotion strategies can significantly contribute to economic development, especially in developing countries. The study highlights the importance of marketing and government initiatives in promoting international trade and economic expansion.

Geldres-Weiss, Monreal-Pérez & Carrasco-Roa (2016) studied on the topic of " Export Promotion and its Role in Innovation and Export Competitiveness among Chilean Companies". The objectives of this research paper are to analyze the impact of export experience, export promotion programs (EPPs) and innovation on export competitiveness of Chilean companies. The work in this research paper is focusing on product innovation, export markets and participation in trade missions and trade fairs. The methodology used in this research examines the two instruments trade mission and fairs of 699 permanently exporting companies in Chile between 2010 and 2015 by using cross-sectional data. The study identified tariff codes and destination countries for each export transaction of these companies. The results show that trade significantly improves a company's competitiveness, whereas participation in trade missions positively impacts market innovation. The study analyzes the importance of EPPs for company competitiveness and provides guidance on program selection based on whether the goal is market entry or export growth. The research paper analyzes only permanent exporters, while sporadic exporters represent a challenge for further study of Chilean exporters.

Uddin, Khan & Alam (2010) conducted research the topic of on "An Empirical Study on Export, Import and Economic Growth in Bhutan". The research paper aims to investigate the relationship between exports, imports and economic growth in Bhutan, as well as to analyze the impact of export and import on Bhutan's economic growth. The work in this paper is focusing on co-integration, granger causality, export, import, economic growth. This study uses Bhutan's Real GDP, exports, imports and the implicit GDP deflator from the World Development Indicator 2007 over the period 1980 to 2005. In this study, the method of vector autoregressive (VAR) model is adopted to estimate the causal relationship between exports, imports and economic growth. This research paper uses of the Augmented Dickey Fuller (ADF) and Phillips-Perron (PP) unit root tests to determine the stationarity of the data. The study then applies the Johansen Co-integration test to assess the long-run relationship between the variables. For analyzing causality, the Granger causality test is used to identify the direction of causality between economic growth, exports and imports. The paper highlights the significance of exports in promoting economic growth as well as the relationship between exports, imports and overall economic growth. The findings support the export-led growth hypothesis, showing the important role of exports in the economic development of Bhutan.

Pant & Panta (2009) conducted research on " Export Diversification and Competitiveness: Nepal's Experiences" provides a comprehensive analysis of Nepal's export diversification efforts and its impact on the country's economic competitiveness. The aims to analyze Nepal's current export landscape and review existing studies on its export potential, as well as to assess the country's export competitiveness through the lens of real effective exchange rate (REER) dynamics. The methodology uses qualitative and quantitative approaches including data analysis and possibly econometric modeling to assess REER. Through empirical data and case studies, the paper illustrates how diversification has enhanced Nepal's economic resilience and provided opportunities for innovation and market expansion. The research gap is identified the lack of effective execution of announced policy measures aimed at diversifying exports and enhancing market competitiveness. The major findings of this research paper are Nepal's economy faces challenges of low productivity and price competitiveness compared to neighboring countries due to insufficient mechanisms for technology adoption, poor infrastructure and an unfriendly investment climate. The study concludes with policy recommendations

aimed at further strengthening Nepal's export capabilities and ensuring sustainable economic development.

2.3.2 Review of Previous Thesis

Hemzawi & Umutonim (2021) conducted research on "Impact of exports and imports on the economic growth". This paper's purpose to examine the impact of exports and imports on the economic growth of Rwanda. The aims to determine the relationship between exports, imports and economic growth, as well as assess the impact of the Covid-19 pandemic on Rwanda trade in 2020. The work in this paper is focusing on international trade theories, economics of scale, theories of economic growth, relationship between economic growth and international trade, foreign trade and trade policies in Rwanda, Rwanda trade and economic growth performance in the past two decades, empirical evidence on export-led growth and import-led growth hypothesis. A quantitative research methodology was used to conduct the statistical analysis of the collected time-series data from 2006 to 2020. The data analysis test in this paper included unit root (stationarity) test, long-run relationship (cointegration) test, estimation of regression model, estimation of impact of covid-19 on exports and imports. The study reveals a significant long-term relationship between Rwandan GDP, exports, imports and variables like capital, labor and technology. A one percent increase in exports correlates with a 0.05 percent rise in GDP while a one percent increase in imports is associated with a 0.32 percent increase in GDP.

Budhathoki (2013) published dissertation on "A Comparative Study on the Foreign Trade of Nepal". The main objectives are to find out the major issues of Nepalese foreign trade, as well as to identify the trend and present real situation of Nepalese foreign trade. The method uses quantitative and qualitative techniques over the period 2001/02 to 2010/11. Various statistical and mathematical techniques will be utilized for data analysis. The major findings are Nepal has primary exportable goods but manufactured, deluxe, luxury and other sophistic and valuable items are being imported from other countries. LDC countries are facing with issues of poverty and economic backwardness. In Nepalese trade sector, tariff is levied just to enhance revenue not to provide protection to domestic industries. There exists absence of attention in the production of consumer goods to reduce import. This study suggests that enhancing infrastructure such as dry ports and

transit facilities, participating in international fairs and increasing publicity for Nepalese products will aid in expanding Nepal's foreign trade. The government needs to negotiate bilateral agreements to fix export quotas, diversify products and adjust tariffs to mitigate transport cost challenges from Nepal's landlocked status.

Thapa (2013) conducted research on "A study on Export, Import Trade and Its Impact on The Economy of Nepal". This study aims to analyze the general trend of international trade balance and to examine the impact of international trade in the economy (GDP) of Nepal. The importance of this study are shows impact of export & import in the Nepalese economics and provides the information about international trade related policies. This study has focused on the international trade activities over the period of 2003/04 to 2011/12. The techniques used descriptive, analytical and quantitative approach. The statistical tools are widely used such as tabulation, diagram, graph, arithmetic mean, ratio, percentage, correlation and regression analysis. This study findings are international trade of Nepal is not so satisfactory whereas share of export is in decreasing trend and import is in increasing trend after WTO accession. Nepal's export propensity index is very low which indicates the weak contribution of exports to the GDP. The relationship of international trade and GDP measured by correlation coefficient reflects the highly positive. The Thirteenth Periodic Plan formulated objectives, policies and strategies for effectively implementing NTIS 2010 and Trade Policy 2009.

Khazragui (2011) conducted research on "Export Promotion of Small and Medium Sized Enterprises in Developing Countries: The Perceived Usefulness of International Trade Points by SMEs in Egypt". The aim of this research to assess the usefulness of international trade points in Egypt that provide market information, networking, international standards support, export opportunities by SMEs as well as to develop an effective performance model, identify and analyze the factors causing variance in SMEs' perception of the usefulness of ITPs. The research design uses of both qualitative and quantitative research methods have been applied to accomplish the objectives of this study. The research methodology used in macro level of investigations includes review of literature, analysis of policy and strategy documents, semi-structured interviews with officials at ITP and managers of SMEs. Similarly, micro level of investigations includes survey-based questionnaire, semi-structured interviews. The work in this paper is focusing on importance of export promotion as an engine for growth, exporting and

economic development, obstacles to exporting, SMEs in the global economy, internationalization strategies for SMEs, trade promotion organizations and export promotion, relationship between export promotion activities and export performance. The major role of governmental TPOs versus private sector TPOs, role of export promotion services and SMEs, role of Information and Communication Technology (ICT) in export promotion, new forms of TPOs, export promotion studies in Egypt, Egyptian economy.

Karki (2009) conducted research on "Growth and Direction of Nepal's Export and Import Trade". The main objectives of this study are to picture out the export import situation of Nepal with the neighboring country India and other countries, as well as to find out the contribution of foreign trade to the GDP of Nepal. The mainly used mathematical & statistical tools i.e. Arithmetic Mean (A.M), Standard Deviation (S.D), Coefficient of Variation (C.V), T-statistics, F-statistics to analyze and present the data collection over the period F/Y 1992/93 to F/Y 2007/08 (first 8 months). The major findings of this study are Nepal's trade deficit is increasing due to rising imports driven by domestic demand with a heavy reliance on a few primary and finished goods for exports, primarily woolen carpets and readymade garments. Nepal is highly dependent on India for both imports and exports with imports from India increasing significantly after 2001/02, and exports to India becoming more prominent after 2004/05, leading to a consistently negative trade balance. Despite being an agro-based economy, Nepal's exports are dominated by manufactured and capital goods and the country heavily relies on imports for industrial and capital goods with the import-export business showing no significant correlation.

Table 1
Summary of Empirical Review

| S.N | Articles | Author | Objectives | Variables | Methodology | Findings |
|-----|--|--|--|---|---|---|
| 1. | Causal Relationship among Exports, Imports and Economic Growth in Nepal: Evidence from VAR Model | Rajan Phaju (2023) | <ul style="list-style-type: none"> To investigate the causal relationship among Nepal's export, import and real GDP. To analyze the impact of exports and imports on the economic growth of Nepal. | <ul style="list-style-type: none"> Real Gross Domestic Product (RGDP) Export Import | <ul style="list-style-type: none"> Vector Autoregressive Model (VAR) Granger causality based on VAR model | <ul style="list-style-type: none"> The study investigates the relationship among real GDP, exports, and imports in Nepal from 1975 to 2020 using yearly data. The results of VAR granger causality test indicates that real GDP affects exports, but exports do not cause changes in both real GDP and imports. |
| 2. | Effect of Exports and Imports on the Economic Growth of Nepal | Mrs. Kabita Bhattarai (2022) | The main objective is to investigate the correlations and dynamic impact between export, import and economic growth in Nepal using time-series data from 1988 to 2021. | <ul style="list-style-type: none"> Export Import Gross Domestic Product | In this study, Statistical tools such as descriptive analysis, correlation and multiple regressions are employed. | The major findings are that exports have a negative association with GDP while imports show a strong positive correlation with GDP. Regression analysis results indicated that both export and import volumes have a high degree of influence Nepal's economic growth. |
| 3. | The effect of logistics performance determinants on export performance | <ul style="list-style-type: none"> Imad <u>Ait Lhassan</u> <u>Manal Ezekari</u> <u>Mahmoud Belamhitou</u> <u>Ikram El Hachimi</u> (2022) | <ul style="list-style-type: none"> To access the impact of determinants of logistics performance on export performance in the northern region of Morocco develop a | <ul style="list-style-type: none"> Collaboration Information Sharing Logistics Strategy Logistics Performance Export Performance | <ul style="list-style-type: none"> Quantitative exploratory factor analysis Confirmatory factor analysis | <ul style="list-style-type: none"> The questionnaire was tested on a sample of 90 respondents of 30 exporting companies in Morocco. The results of this study showed that the three determinants of logistics performance have a strong effect on the export performance of exporting companies |

- conceptual model based on existing literature and to test it with exporting companies in the northern region of Morocco.
4. Exporter's Perception and Awareness on Export Promotion in Nepal
- Suman Kumar Regmi (2021)
- To investigate how exporters from the Kathmandu Valley perceive the export promotion efforts by the Nepalese government
 - To assess the overall level of export awareness regarding government export promotion efforts.
- Risk Factors
 - Affordability
 - Participations
 - Past Experience
 - Export Destination
 - Exporter's Perception on Export Promotion
- Descriptive research design based on primary data
 - Statistical tools such as mean, standard deviation, regression,
- Improved logistics performance positively impacts export promotion by reducing trade barriers and enhancing market access.
 - The regression analysis reveals that the key factors influencing exporter's satisfaction include risk factors, awareness of export promotion participation and export destinations.
 - The significant findings show that export supply availability and export destinations are key factors for participation in export promotion whereas past experience does not have a significant impact on exporter's satisfaction levels.
5. An Assessment of Instruments Utilized by Export Promotion Agencies in Eastern Africa
- Ane Massyn
• Henri Bezuidenhout
• Ewert P.J. Kleynhans (2021)
- To identify and assess the export promotion instruments utilized by export agencies in Eastern Africa.
 - To explore the role and impact of export promotion agencies in
- Political stability
 - Annual GDP growth (%)
 - HDI
 - Total imports (USD\$)
 - Total exports (USD\$)
 - Infrastructure dev. (AIDI)
- Qualitative Case Study Approach
- EAC countries use both general and specific export promotion strategies tailored to local markets with unique approaches in Kenya, Rwanda, Tanzania and Uganda to support and market exporters effectively.
 - The result suggests that export promotion

- facilitating international trade and economic development in Eastern Africa.
- Doing business (DB)
- instruments applied include promotional events, advertising, legal assistance, capacity building concerning pricing, quality requirements, packaging, planning and preparation for export market engagement.
6. The Impact of Trade Deficit in Nepalese Economy
- Ashmita Dahal Chhetri (2021)
- To analyze the growth and direction of Nepalese foreign trade along with the causes and recommendations of trade deficit
 - To examine the impacts of trade deficit in Nepal in different sectors.
- Export
 - Import
 - Remittance
 - GDP
- Quantitative descriptive method
- India remains the largest export destination for Nepalese products, accounting for 66% of total exports while China's share is gradually increasing.
 - The country's trade deficit driven by high import spending, weakens domestic industries and job opportunities, emphasizing the need for trade competitiveness policies.
7. The Impact of Trade Promotion on Economic Growth — The Empirical Evidence from A Panel Dataset
- Huong Le Ly Bui (2020)
- To investigate the relationship between government expenditure on trade promotion and economic growth.
 - To analyze the impact of trade promotion on economic growth using panel data.
- Economic Growth
 - Trade Openness
 - Government Expenditure on Trade Promotion
 - Unemployment Rate
 - Population Technologic
- Fixed effect regression model on a sample of 30 countries over the period 1970-2015
- The study finds that an increase in government expenditure on trade promotion activities positively correlates with higher economic growth rates and higher trade openness.
 - Strong empirical evidence that supports the hypothesis that trade promotion strategies can significantly contribute to

| | | al Progress | economic development especially in developing countries |
|-----|--|--|--|
| 8. | Export Promotion and Its Role in Innovation and Export Competitiveness among Chilean Companies | <ul style="list-style-type: none"> • Valeska V. Geldres-Weiss • Joaquín Monreal-Pérez • Javier Carrasco-Roa (2016) | <ul style="list-style-type: none"> • To analyze the impact of export experience, EPPs and innovation on export competitiveness of Chilean companies. • To assess the impact of export promotion on innovation among Chilean companies. |
| | | <ul style="list-style-type: none"> • Export competitiveness • Product innovation • Market innovation • Trade missions • Trade fairs | <ul style="list-style-type: none"> • Pair-wise correlations between variables • OLS Regression |
| | | | <ul style="list-style-type: none"> • The two instruments trade mission and fairs of 699 permanently exporting companies in Chile during 2010 to 2015 by using cross-sectional data. • Trade significantly improves a company's competitiveness whereas participation in trade missions positively impacts market innovation. |
| 9. | An Empirical Study on Export, Import and Economic Growth in Bhutan | <ul style="list-style-type: none"> • Md. Gazi Salah Uddin • Shibli A. Khan • Md. Mahmudul Alam • (2010) | <ul style="list-style-type: none"> • To investigate the relationships between export, import, and economic growth in Bhutan. • To analyze the impact of export and import on Bhutan's economic growth. |
| | | <ul style="list-style-type: none"> • Real Export • Real Import • Real GDP | <ul style="list-style-type: none"> • Vector autoregressive Model (VAR) • Augmented Dickey Fuller (ADF), Phillips-Perron (PP) unit root tests and Johansen Cointegration test |
| | | | <ul style="list-style-type: none"> • The findings support the export-led growth hypothesis, showing the important role of exports in the economic development of Bhutan. • The paper highlights the significance of exports in promoting economic growth as well as the relationship between exports, imports and overall economic growth. |
| 10. | Export Diversification and Competitiveness Nepal's Experiences | <ul style="list-style-type: none"> • Bhubanesh Pant, Ph.D.* • Rajan Krishna Panta (2009) | <ul style="list-style-type: none"> • To analyze Nepal's current export landscape and review existing studies on its export potential. • To assess the country's export |
| | | <ul style="list-style-type: none"> • Export Performance • World Markets • Domestic Supply Condition • Export | <ul style="list-style-type: none"> • Quantitative Approach • Qualitative Approach |
| | | | <ul style="list-style-type: none"> • Nepal's economy faces challenges of low productivity and price competitiveness compared to neighboring countries due to insufficient mechanisms for technology adoption, poor infrastructure, and an |

competitiveness through the lens of real effective exchange rate (REER) dynamics.

Potential Index

unfriendly investment climate.

- Successful export diversification fosters technological upgrading & knowledge acquisition, enhancing Nepal's global competitiveness.

| S.N | Thesis Topics | Author | Objectives | Variables | Methodology | Findings |
|-----|--|--|---|--|---|---|
| 11. | Impact of exports and imports on the economic growth | • Bashir Al Hemzawi • Natacha Umutoni (2021) | <ul style="list-style-type: none"> • To determine the relationship between exports, imports and economic growth. • To assess the impact of the Covid-19 pandemic on Rwanda trade in 2020. | <ul style="list-style-type: none"> • Labour force • Capital • Level of technology | <ul style="list-style-type: none"> • Quantitative research approach | <ul style="list-style-type: none"> • The study reveals a significant long-term relationship between Rwandan GDP, exports, imports and variables. • A one percent increase in exports correlates with a 0.05 percent rise in GDP while a one percent increase in imports is associated with a 0.32 percent increase in GDP. |
| 12. | A Comparative Study on the Foreign Trade of Nepal | Laxmi Budhathoki (2013) | <ul style="list-style-type: none"> • To identify the present real situation of Nepalese foreign trade, • To find out the major issues of Nepalese foreign trade. | Export, Import | <ul style="list-style-type: none"> • Statistical and mathematical techniques | <ul style="list-style-type: none"> • LDC countries is facing the problem of vicious circle of poverty and economic backwardness. • In Nepalese trade sector, tariff is levied just to enhance revenue not to provide protection to domestic industries. There exists absence of attention in the production of consumer goods to reduce import. |
| 13. | A Study on Export, Import | Thapa, Chhetra | <ul style="list-style-type: none"> • To analyze the general trend of | <ul style="list-style-type: none"> • Export • Import | <ul style="list-style-type: none"> • Descriptive Analysis | <ul style="list-style-type: none"> • International trade of Nepal is not so |

| | | | | | |
|---|------------------------|--|---|--|---|
| Trade and Its Impact on The Economy of Nepal | Bahadur (2013) | <ul style="list-style-type: none"> international trade balance. To examine the impact of international trade in the economy (GDP) of Nepal. | <ul style="list-style-type: none"> GDP | <ul style="list-style-type: none"> Quantitative Approach | <p>satisfactory whereas share of export is in decreasing trend and import is in increasing trend after WTO accession.</p> <ul style="list-style-type: none"> Nepal's export propensity index is very low which indicates the weak contribution of exports to the GDP. The relationship of international trade and GDP measured by correlation coefficient reflects the highly positive. |
| 14. Export Promotion of Small and Medium Sized Enterprises in Developing Countries: The Perceived Usefulness of International Trade Points by SMEs in EGYPT | HANAN KHAZRAGUI (2011) | <ul style="list-style-type: none"> To develop an effective performance model, identify and analyze the factors causing variance in SMEs' perception of the usefulness of ITPs. | <ul style="list-style-type: none"> Trade facilitation Information provision Awareness creation Electronic matching | <ul style="list-style-type: none"> Qualitative Quantitative | <ul style="list-style-type: none"> Qualitative findings reveal bureaucratic obstacles within governmental International Trade Points (ITPs). SMEs face financing obstacles and perceive limited support from ITPs. Small companies generally have negative views towards TPOs and ITPs. |
| 15. Growth and Direction of Nepal's Export and Import Trade | Mahesh Karki (2009) | <ul style="list-style-type: none"> To picture out the export-import situation of Nepal with the neighboring country India and other countries. To find out the contribution of | <ul style="list-style-type: none"> Trade Balance Total Trade Value (TTV) Export Performance Import Performance Export- | <ul style="list-style-type: none"> Mathematical & Statistical tools | <ul style="list-style-type: none"> Nepal's trade deficit is increasing due to rising imports driven by domestic demand with a heavy dependency on a few primary and finished goods for exports primarily woolen carpets and readymade garments. |

foreign trade to Import Ratio
the GDP of Nepal • GDP

- Nepal is highly dependent on India for both imports and exports with imports from India increasing significantly after 2001/02 and exports to India becoming more prominent after 2004/05 leading to a consistently negative trade balance.
-

2.4 Research Gap

Numerous quantitative studies have been carried out to establish the relationship between dependent variable such as export and independent variables such as import and GDP. However, this analysis has produced conflicting results. This study tried to see the role of those two independent variables (Import, GDP) upon the export level in Nepalese trade. Many studies indicated that there is link between GDP and different variables related to export.

The research gap in this study indicates a lack of comprehensive understanding of the specific challenges faced by Nepalese exporters and the effectiveness of existing export promotion policies. While many studies have examined Nepalese trade and exports, they tend to overlook the micro-level barriers such as access to finance, market information, technical know-how and trade facilitation services that hinder export growth. This study aims to fill this gap by examining these barriers in detail and evaluating the impact of government initiatives on promoting exports, thereby providing actionable recommendations for enhancing Nepal's export competitiveness.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Introduction

The research methodology outlines the approach, process, tools, techniques and strategies used to conduct a research study. It provides as a roadmap, blueprint and strategic plan towards achieving the research objectives. A suitable and comprehensive methodology leads to precise, reliable results, guiding practical solutions to the research problem. In this study, both analytical and descriptive methodologies will be applied to enhance the depth and value of "Trade and Export Promotion of Nepal". This provides essential information and data regarding the relevant study and also assists for presenting and analyzing the collected data and information. In order to make the study scientific and effective following procedures are utilized. The research methodology includes research design, population and sample, sources of data, method of data analysis, research framework of definition of variables. The main objective of this study is to provide a clear and comprehensive description of the methods used to ensure their reliability and validity.

3.2 Research Design

Research design highlights the methods and techniques to be utilized for gathering information. The research design for this study on trade and export promotion of Nepal adopts a descriptive and causal comparative research design using secondary data. Comparative data of ten years about trade composition and strength, weaknesses are analyzed and presented. The study involves a comprehensive review of existing literature, government reports, trade statistics and export performance data from reputable sources. The analysis is conducted using descriptive statistical analysis techniques to identify trends, relationship and interpret the quantitative data.

3.3 Population and Sample, and Sampling Design

The term population of data denotes for the data of each organization which is within the boundary of specific organization. The population for this study includes all trade associations, exporters, government bodies and stakeholders involved in trade and export

sector of Nepal. The sample consists of only government bodies such as Ministry of Finance. In this study, 10 years of secondary data from FY 2071/72 to FY 2080/81 have been taken for convenience sampling method in which Export, Import and GDP variables are represented.

3.4 Nature and Sources of Data

The research objectives are achieved through the utilization of secondary data. The secondary data will be gathered mainly from the review of documents, both published and unpublished data. The sources of data collection are as follows: -

- Government publications such as the Nepal Trade Integration Strategy (NTIS) reports which provide trade policies and export priorities.
- The national trade statistics, export records and economic performance reports from Ministry of Finance, Department of Customs and TEPC. The Trade and Export Promotion Centre (TEPC) under the Ministry of Industry, Commerce and Supplies regularly publishes statistical bulletins and annual reports detailing export performance and market diversification strategies.
- Nepal Rastra Bank (NRB) offers valuable economic data through annual reports which include trade balance figures and foreign exchange statistics.
- International organizations like the World Bank, International Monetary Fund (IMF) and the International Trade Centre (ITC) provide external assessments and databases such as the World Integrated Trade Solution (WITS) and the Export Potential Map.
- Other various sources of collecting of data like; journals, various books, research studies, articles etc.

3.5 Method of Data Analysis

The analysis of data will be done according to the pattern of data accessible. The quantitative data is analyzed using descriptive statistical analysis techniques to identify trends, patterns, mean, standard deviation, skewness, kurtosis and correlation with help of SPSS software. By quantitative data analysis, a thorough understanding of the factors affecting Nepal's trade and export promotion can be achieved. This method enables the development of evidence-based recommendations, ensuring more effective and targeted

trade policies and export strategies. In order to conduct systematic and scientific study, following statistical tools are widely used.

a) Tabulation

Tabulation involves organizing raw data into a tabular format. Table provides the systematic and reliable analysis of data. It simplifies presenting numeric and structured data in a clear and understandable. In this study, table shows the annual data on business activities with India, China and overseas.

b) Graph

The graphical method represents tabulated data in a clear and scientific way. It provides the essential data about the trend of international trade and export of Nepal.

c) Descriptive Analysis:

i. Arithmetic Mean

Arithmetic mean is the most commonly used of all averages due to the simplicity of its calculation and other advantages. It is used to determine the average value of the tabulated data over the study period and is calculated directly in the table.

$$\text{Mean} = \frac{\sum X}{n}$$

ii. Median

Median is the descriptive statistical measure used for the central values of the data set. The data set is ranked according to size and then choosing the item that is in the middle or centre. Median is the positional average which locates the central position of the arranged data. The following formula is used for discrete series median in this study.

$$\text{Median} = \frac{n+1}{2}$$

iii. Standard Deviation

The standard deviation is a statistical measure that quantifies the amount of variation or dispersion in a dataset. A low standard deviation indicates

that the data points are close to the mean while a high standard deviation signifies that they are spread out over a wider range of values.

$$S.D = \sqrt{\frac{\sum(X-\text{Mean})^2}{n}}$$

iv. Skewness

Skewness means to the symmetry of the distribution. Skewness is an idea about the shape of the curve which we can draw with the help of the given data. A distribution said to 'skewed' when the mean and the median for at different points in the distribution and the balance (or center of the gravity) is shifted to one right side or another side left. If the data are symmetrically distributed, skewness is zero. Positive skewness shows that a longer right tail while negative skewness indicates a longer left tail.

Karl Pearson's coefficient of Skewness (Skp)

$$S_k(P) = \frac{3(\text{Mean}-\text{Medium})}{S.D}$$

Interpretation: -

- a. If $S_k(P) = 0$, then it shows that the distribution is symmetrical or non-skewed.
- b. If $S_k(P) > 0$, then it shows that the distribution is positively skewed or right skewed.
- c. If $S_k(P) < 0$, then it shows that the distribution is negatively skewed or left skewed.

v. Kurtosis

Kurtosis means to the degree of presence of outliers in the distribution. It is statistical measure whether the data is heavy-tailed or light-tailed in a normal distribution. High kurtosis showed more outliers (heavy tails) while low kurtosis indicates fewer outliers. Kurtosis is an idea about the 'flatness or peakedness' the frequency curve. It is measured by the coefficient β_2 or its derivation γ_2 given by:

Measure of kurtosis based on moments:

$$\beta_2 = \frac{\mu_4}{(\mu_2)^2} \quad \text{and} \quad \gamma_2 = \beta_2 - 3$$

Interpretation: -

- a. $\beta_2 = 3$, i.e. $\gamma_2 = 0$, then this shows that the distribution is normal or mesokurtic.
- b. $\beta_2 > 3$, i.e. $\gamma_2 > 0$, then this shows that the distribution is leptokurtic.
- c. $\beta_2 < 3$, i.e. $\gamma_2 < 0$, then this shows that the distribution is platykurtic.

d) Correlation Analysis

Correlation analysis is a statistical tool which is used to show the relationship and association between two or more variables. The Karl Pearson's coefficient of correlation measures the degree of linear relationship between two variables by neglecting the other variables. Pearson correlation is used to identify the relation between dependent variable i.e. Export and independent variables i.e. Import and GDP. The formula that follows can be used to find the correlation coefficient (r) between two variables, X and Y.

$$r = \frac{n\Sigma XY - (\Sigma X)(\Sigma Y)}{\sqrt{n\Sigma X^2 - (\Sigma X)^2} \sqrt{n\Sigma Y^2 - (\Sigma Y)^2}}$$

Where,

r = Pearson coefficient of correlation

ΣXY = Sum of product of two series.

ΣX^2 = Sum of squared in X series

ΣY^2 = Sum of squared in Y series

n = number of years

Interpretation of correlation coefficient (r):

The numerical values of coefficient of correlation always lies between -1 to +1, i.e. $-1 \leq r \leq +1$.

When correlation (r) value is,

0.90 to 1.00 (-0.90 to -1.00) \Rightarrow there is very high positive (negative) correlation.

0.70 to 0.90 (-0.70 to -0.90) \Rightarrow there is high positive (negative) correlation.

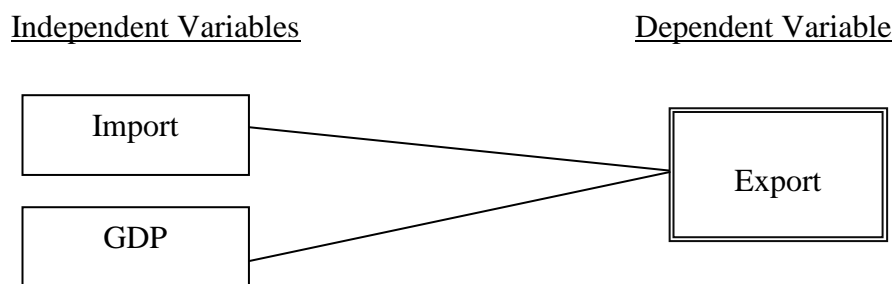
0.50 to 0.70 (-0.50 to -0.70) \Rightarrow there is moderate positive (negative) correlation.

0.30 to 0.50 (-0.30 to -0.50) \Rightarrow there is low positive (negative) correlation.

0.00 to 0.30 (-0.00 to -0.30) \Rightarrow there is negligible correlation.

3.6 Research Framework and Definition of variables

A research framework is a clear structure of research plan that can be used to guide the research process and helps to answer the research question. It identifies the variables, states the relationship of two or more variables and reasons of expecting such relationship. The figure displays the research framework, which explains the independent and dependent variables in this study.



Source: Empirical Literature Review

Figure 1. Research Framework

The figure 1 shows that conceptual research framework for this study. The researcher has set import and GDP as independent variables and export as the dependent variable. Through the study the researcher tries to find out the current situation of trade and export promotion of Nepal.

Definition of Variables

A dependent variable is a variable that is being studied in an experiment or research study which is affected by the change in independent variables. The dependent variable is the variable of primary interest to the researchers. The researcher's goal is to explain or

predict the variability in the dependent variable (Adhikari & Pandey, 2019). The dependent variable in this study is export.

- The export refers to sale of domestic goods in global market. The total monetary value of goods and services produced in Nepal and sold to international markets over a specific period. These variable measures the volume of Nepal's outbound trade. Exports are influenced by many factors including the availability of raw materials, factors of production and the overall economic environment which are affected by imports and GDP levels. Analyzing exports as a dependent variable helps researchers to understand how changes in imports and GDP affect export growth and performance (Shrestha, 2018).

Independent variable is a variable that influences the dependent variable in positive or negative way. If independent variable is changed by one unit, then dependent variable will be changed in some degree (Adhikari & Pandey, 2019). The independent variables in this study are as Import and GDP.

- Import refers to purchase of foreign commodities. The total monetary value of goods and services purchased by Nepal from foreign markets over a specific period. This variable reflects the volume of Nepal's inbound trade. It is one of the study's independent variables. Imports are essential to Nepal's manufacturing process because the country must depend on imports of raw materials, machinery and intermediaries needed to produce export products. Export potential can be increased by increasing imports by providing the necessary inputs for producing exportable goods (Paudel & Upreti, 2020).
- GDP is the total monetary value of all the newly produced final goods and services produced by all the production units within the geographical territory of a nation during a particular time. Measurement of GDP excludes the amount of capital gain from any financial as well as non-financial assets. It is because such gains do not directly contribute to the current production capacity of the nation. GDP sectors include Agriculture, Industry and Service. Nominal GDP is used in this study which value at the current prices (Samuelson & Nordhaus, 2010). A rising GDP indicates a strong economy with improved infrastructure, investment and manufacturing capacity which can positively impact on exports. Moreover, higher GDP can provide better financial and investment resources to the export sector thus improving export efficiency (source: world bank).

CHAPTER IV

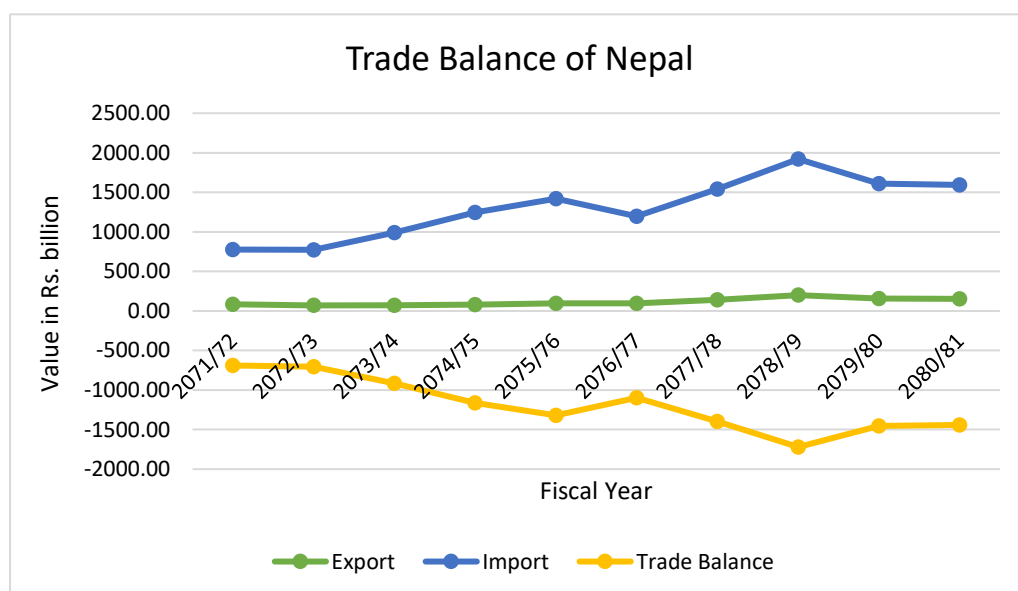
RESULTS AND DISCUSSION

4.1 Results

This chapter deals with data presentation and analysis in an organized data according to the specific research objectives and research questions based on the collected data through the secondary sources by Ministry of Finance, Nepal. In the course of presentation and analysis, illustrations and elaborations to justify certain outcomes are hereby provided in the form of tables and graphs. The main objective of this research study is fulfilled with the outcomes derived from the analysis of the data. This section has been sub-divided into three parts for statistics technique analysis. The first parts deal with the comparative data analysis with trade statistics which gives detail information regarding the export, import trade and GDP of Nepal. The second part analysis and interprets the collected data through descriptive statistics includes mean, standard deviation, skewness and kurtosis. The third section deals with Pearson correlation analysis between dependent and independent variables.

4.1.1 Comparative Data Analysis

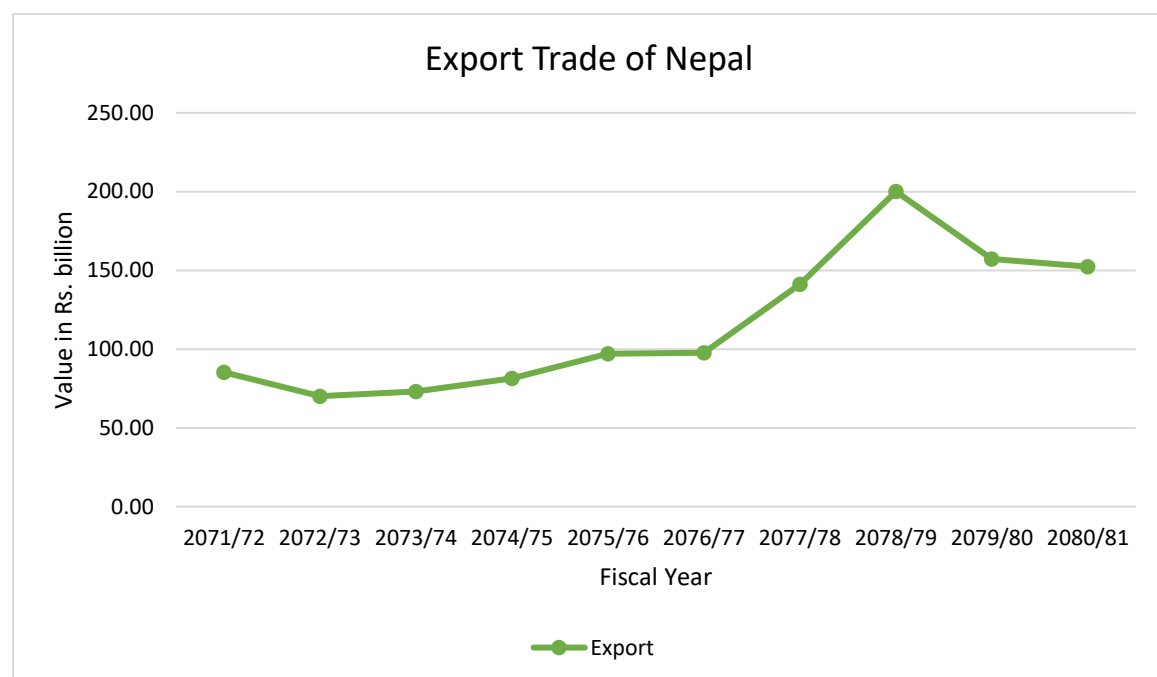
The collected and analyzed data includes volume and country-specific information. Data has been collected at 10-year intervals and analyzed comparatively to examine export trade between FY 2071/72 and 2080/81.



Source: Appendix 1

Figure 2. Total International Trade Balance of Nepal

The figure 2 shows that the total international trade balance of Nepal assessing ten fiscal years from 2071/72 to 2080/81 with highlighting total exports, total imports and trade balance (value in Rs. Billion). Over this period, Nepal consistently recorded a significant trade deficit as imports largely outweighed exports. Total exports fluctuated, peaking at Rs. 200 billion in FY 2078/79 but declining afterward. Imports continuously increased reaching Rs. 1,920 billion in 2078/79 before slightly decreasing. The large trade deficit occurred in 2078/79 with Rs. 1,720 billion. This indicates that Nepal is heavily dependence on imports despite some export growth.



Source: Appendix 2

Figure 3. Export Trade of Nepal

Above graph represents the fluctuating trendline of Nepal's export trade over a 10-year period from FY-2071/72 to FY-2080/81. The lowest export value is Rs. 70.11 billion in FY 2072/73 due to major disruptions such as the 2072 earthquake and India-Nepal boarder blockade which affected production and trade. After that, exports gradually increased to Rs.97.70 billion by FY 2076/77 as the economy rebuild. The exports peaked at Rs. 200.03 billion in FY 2078/79 along with post-pandemic recovery (COVID-19 pandemic) might have stimulated increased demand for goods as global markets reopened. Furthermore, trade policies, agreements, government support, and improvements in production capacity could have contributed to this remarkable growth.

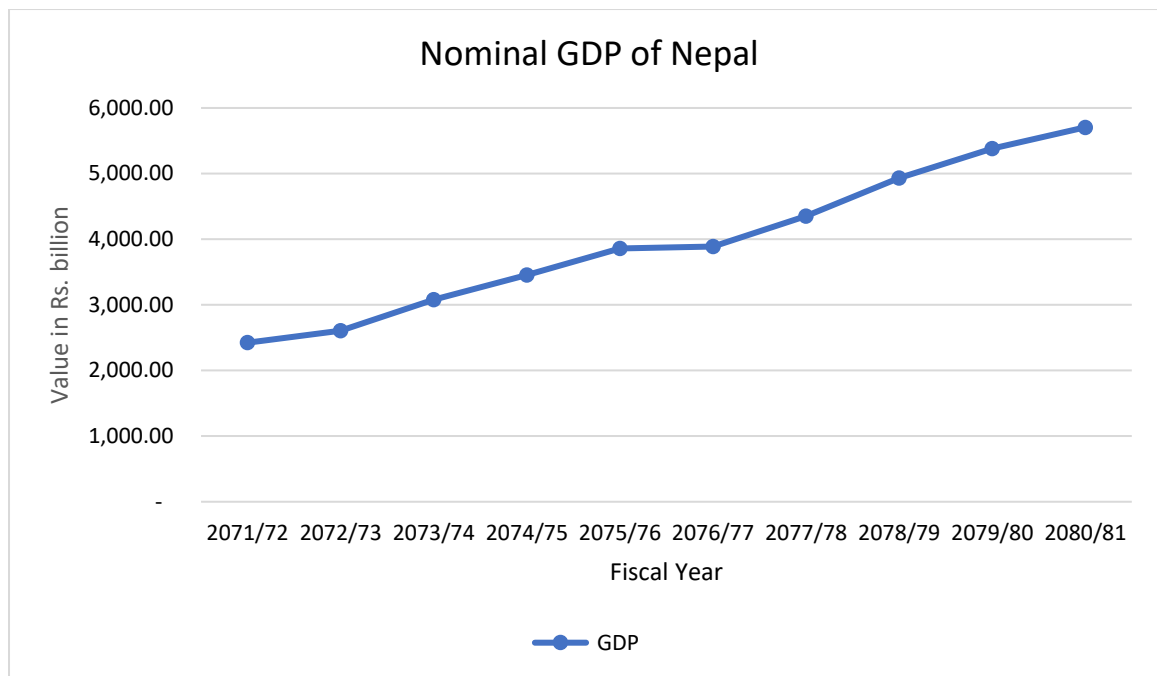
However, exports declined slightly in the following years to Rs. 157.14 billion in 2079/80 and Rs. 152.38 billion in 2080/81, possibly due to changing global market conditions, competition, supply chain issues and domestic challenges. Overall, the data reflects Nepal's capacity to recover and grow its export sector despite external and internal challenges.



Source: Appendix 3

Figure 4. Import Trade of Nepal

The above figure 3 shows the import trade of Nepal from fiscal year 2071/72 to 2080/81 which shows the upward trend with some fluctuations. The imports rise from Rs. 774.68 billion in 2071/72 to a peak of Rs. 1920.44 billion in 2078/79. This increase can be attributed to factors such as growing domestic demand, infrastructure development and rising costs of imported goods. The sharp rise in 2074/75 and the following years indicates higher consumption and investment in capital goods which are essential for economic growth. However, the import values decrease slightly in the last two years with Rs.1,611.73 billion in 2079/80 and Rs. 1,592.98 billion in 2080/81. This decline may be due to factors such as a slowdown in economic activity, changes in domestic demand and efforts to reduce trade deficits.

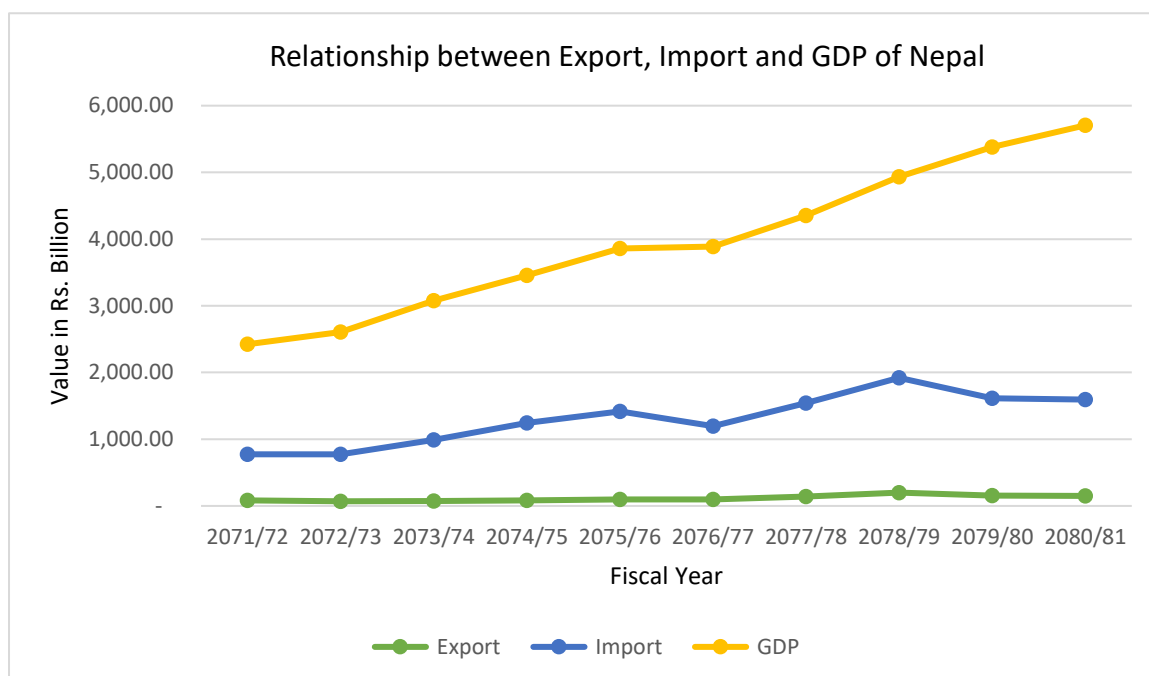


Source: Appendix 4

Figure 5. GDP at current prices of Nepal

The above figure 5 indicates a consistent upward trend of Nepal's GDP over the period from FY 2071/72 to 2080/81. The GDP continuously increases from Rs. 2,423.63 billion in 2071/72 to Rs. 5,704.84 billion in 2080/81. This increase reflects the country's overall economic development and expansion which influenced by factors such as rising domestic consumption, investments and improvements in various economic sectors. Significant growth is observed every year. This is marked by a remarkable increase in GDP from 2074/75 and beyond, indicating a period of strong economic performance and development.

GDP provides information on the economy's size and performance. When GDP is growing strongly, employment is likely to be increasing as companies hire more workers for their factories and people have more money in their pockets. When GDP is shrinking, employment often declines. The continued increase in GDP underscores the overall positive trend of the Nepalese economy. This is despite challenges and fluctuations in other economic indicators such as exports and imports.



Source: Appendix 5

Figure 6. Relationship between export, import and GDP of Nepal

The above figure 6 shows the relationship between exports, imports and GDP of Nepal from fiscal year 2071/72 to 2080/81. Nepal's GDP has continuously increased from Rs. 2,423.63 billion in 2071/72 to Rs. 5,704.84 billion in 2080/81. The exports have shown growth and peaked at Rs. 200.03 billion in 2078/79 but have declined slightly thereafter. Imports have risen rapidly from Rs. 784.58 billion in 2071/72 to Rs. 1,920.44 billion in 2078/79 before slightly decreasing. The gap between exports and imports remains high with reflecting Nepal's growing trade deficit despite increasing GDP.

Although export values generally increased during this period, but they remain a smaller fraction of GDP compared to imports. Imports continuously exceed exports which contributes significantly to GDP growth. This imbalance suggests that Nepalese economy is high dependence on imports for growth. This may reflect the need to import raw materials, technology or other resources that drive domestic production and economic expansion. The growth in GDP over the years even with high import levels indicates that the economy is continuing to expand and strengthen. But it also emphasizes the need for strategies to enhance export performance and reduce the trade deficit for more sustainable economic growth.

4.1.2 Descriptive Analysis of Variables

Table 2

Descriptive Statistics

| | <i>Export</i> | <i>Import</i> | <i>GDP</i> |
|--------------------|---------------|---------------|------------|
| Mean | 115.53 | 1306.38 | 3968.49 |
| Median | 97.40 | 1331.82 | 3873.82 |
| Standard Deviation | 44.09 | 380.33 | 1125.60 |
| Kurtosis | -0.51 | -0.88 | -1.11 |
| Skewness | 0.80 | -0.09 | 0.19 |
| Minimum | 70.11 | 773.59 | 2423.63 |
| Maximum | 200.03 | 1920.44 | 5704.84 |

(Source: Excel output)

The table 2 represent the descriptive statistics for export, import and GDP. As export, the minimum export value is Rs. 70.11 billion while the maximum is Rs. 200.03 billion with a mean of Rs. 115.53 billion, a median of Rs. 97.40 billion and a standard deviation of Rs. 44.09 billion which indicating moderate variability. The skewness (SkP) = 0.80, which indicates that the distribution is positively skewed or right skewed. The kurtosis (γ_2) = -0.51, which shows the distribution is platykurtic.

Imports range from Rs. 773.59 billion to Rs. 1,920.44 billion with an average of Rs. 1306.38 billion, a median of Rs.1331.82 billion and a high standard deviation of Rs. 380.33 billion which reflecting significant fluctuation. The distribution is almost symmetrical i.e. skewness = -0.09 which represent the slightly negative skewed or left skewed. As kurtosis (γ_2) = -0.88 < 0, the given distribution is platykurtic which is very flat than the mesokurtic curve.

The minimum GDP value is Rs. 2,423.63 billion while maximum is Rs. 5,704.84 billion with a mean of Rs. 3968.49 billion, a median of Rs. 3873.82 billion and a standard deviation of Rs. 1,125.60 billion which showing high variability in economic output. GDP is slightly positively skewed i.e. SkP = 0.19 which shows that higher values are more frequent with negative kurtosis indicates a flatter distribution compared to the normal distribution.

4.1.3 Correlation Analysis

Table 3

Pearson Correlations

| | <i>Export</i> | <i>Import</i> | <i>GDP</i> |
|---------------|-------------------|-------------------|------------|
| <i>Export</i> | 1 | | |
| <i>Import</i> | .907* (0.001) | 1 | |
| <i>GDP</i> | .854** (0.002) | .900** (0.001) | 1 |

** . Correlation is significant at the 0.01 level (2-tailed).

(Source: SPSS output with modification)

The Pearson correlation table 3 shows the linear relationship between Export, Import and GDP. We can see that correlation coefficient (r) value between export and import is 0.907. There is a very high positive relationship between both the variables which indicates that when import increase, export also increased. This shows that Nepal's export sector is highly dependent on imported raw materials and intermediate goods which is important for the production of exportable goods. The high correlation may reflect trade openness with higher imports facilitate increased integration into global supply chain. As a result, exports will increase.

The correlation coefficient (r) value between export and GDP is 0.854 which shows a high positive relationship between both the variables. It indicates that as Nepal's economy grows, exports are also growing. This could be due to the fact that a larger economy being able to support more export activities through better infrastructure, increased production capacity and increased efficiency. In addition, when GDP increases, domestic companies are able to compete more in international markets which leads to higher exports.

The correlation coefficient (r) value between import and GDP is 0.90 which shows a high positive correlation between both the variables. This shows that imports increase significantly as the economy expands. This may be because economic growth has increased consumer demand for foreign products as well as demand for capital goods and technology needed to fuel further economic activities. Moreover, increased imports may be a sign of industrialization and modernization as Nepal imports machinery, equipment

and materials necessary for economic development. The P value is < 0.01 , indicating that the relationship is statistically significant.

The table highlights the relationship between trade and economic growth. It shows that imports and exports are closely linked to Nepal's overall economic performance.

4.2 Discussion

This study has mainly focused on the trade and export promotion of Nepal. The dependent variable is export while independent variables such as Import and GDP in this study. The study uses a descriptive analysis and correlation over the ten fiscal years period based on the secondary data. The major findings are international trade of Nepal is not so satisfactory whereas Nepal is heavily dependence on imports despite some export growth. Export trade data reflects Nepal's capacity to recover and grow its export sector despite external and internal challenges. The GDP at current prices data shows the significant growth is observed every year and the employment generating capacity of the economy. An increase in the GDP of a nation leads to an increase in exports, government revenue and a favorable balance of payment. The descriptive analysis shows the GDP and imports have flatter distributions with moderate variability. Meanwhile, exports are slightly more skewed to the right but show less spread. The correlation coefficient (r) value between export and import is a very high positive relationship which indicates that when import increase, export also increased. The high positive correlation between export and GDP which shows that as Nepal's economy grows, exports are also growing. The correlation between import and GDP shows the imports increase significantly as the economy expands.

The study focuses on the causal relationship among exports, imports and real GDP using Johansen's approach as well as vector autoregressive (VAR) model. This study findings which indicate that imports contribute to export and real GDP. The results of VAR granger causality test shows that real GDP affects exports but exports do not cause changes in both real GDP and imports whereas import causes real GDP. There is no bi-directional causality between variables. Variance decomposition of real GDP shows the 90.49% of real GDP fluctuation is due to its own shock, 7.90% to imports and 1.59% to exports in short run. In the long run, real GDP contribute for 50.92% of its own fluctuation with 41.49% from imports and 7.61% from exports. In this study, Nepal gains

by raising its international trade competitiveness to reduce current trade deficits. The study highlights the importance of trade for promoting economic growth and suggests that Nepal heavily relies on imports to support its exports industry (Phaju, 2023).

The study highlights the strong positive correlation between imports and GDP whereas exports show a negative relationship with GDP. These findings are consistent with the results in this study which shows that imports have a greater impact on GDP growth than exports. Regression analysis results indicated that both export and import volumes have a high degree of influence on Nepal's economic growth. The kurtosis shows the distribution is leptokurtic and skewness are 10.35382, 13.53170 and 2.569595 among three variables that indicates the distribution is positively skewed or right skewed (Bhattarai, 2022).

The study focuses on the impact of trade promotion on economic growth from a panel dataset using fixed effect regression model on a sample of 30 countries over the period 1970-2015. The study finds that an increase in government expenditure on trade promotion activities positively correlates with higher economic growth rates and higher trade openness. The results are consistent with many previous studies which show that the more open of the economy leads to a higher rate of economic growth. Strong empirical evidence that supports the hypothesis that trade promotion strategies can significantly contribute to economic development especially in developing countries. The estimation results indicate the effectiveness of trade promotion strategies of governments on stimulating exports and economic growth (Le & Bui, 2020).

The unit root test, both ADF and PP indicate that at level values none of the variables are stationary. The export and GDP are statistically significant at 5% significance level and imports are statistically significant at 1% significance level. The Johanson test indicates rejection for the null hypothesis of no co-integrating vectors. The long-run equation shows positive sign that exports and imports contribute positively to economic growth for Bhutan. The $R^2 = 0.724058$, which means that 72.40% variation on GDP is explained by export and import. Granger causality test found that export impacts GDP and import but import does not cause export and GDP. So, the causal nexus is unidirectional. The findings support the export-led growth hypothesis, showing the important role of exports in the economic development of Bhutan. The paper highlights the significance of exports in promoting economic growth as well as the relationship between exports, imports and overall economic growth (Uddin, Khan & Alam, 2010).

Finally, from the above result, researcher able to meet the objectives of the study which are set at the starting of the study. Researcher find the mean, Standards deviation, Correlation are shows that the positive relationship between independent variable and dependent variables. Also, all of the indicator are showed positive and significant towards export, import and GDP of Nepal.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

Nepal, a landlocked country located between China and India, has been seeking to enhance its economy by promoting trade and exports. This study focuses on the trade and export promotion of Nepal employing both descriptive and causal comparative research designs. The research aims to assess current situation of trade and export promotion of Nepal as well as to gather comprehensive information about these aspects and analyze the relationships between export, import and GDP of Nepal.

The study population consists of all trade associations, exporters, government bodies and stakeholders involved in trade and export sector of Nepal. The sample consists of only government bodies such as Ministry of Finance were selected using convenience sampling over the ten fiscal years i.e. from 2071/72 to 2080/81. The data collection primarily relies on secondary sources which gathered mainly from the Ministry of Finance, NRB, department of custom, TEPC, review of documents and other various sources of collecting of data such as articles, journals, research studies, various books. The methodology uses quantitative data which analyzed using descriptive statistical analysis techniques to identify trends, patterns, mean, standard deviation, correlations, skewness and kurtosis with help of SPSS software. The theoretical framework of the study identifies export as the dependent variable and import and GDP as the independent variable.

In this study, the comparative data analysis under international trade balance shows the Nepal is heavily dependence on imports despite some export growth. The export trade data reflects Nepal's capacity to recover and grow its export sector despite external and internal challenges. The import trade data shows the upward trend with some fluctuations. The GDP indicates a consistent upward trend of Nepal's GDP over the period from FY 2071/72 to 2080/81. This increase reflects the country's overall economic development and expansion which influenced by factors such as rising domestic consumption, investments and improvements in various economic sectors. The continued increase in GDP underscores the overall positive trend of the Nepalese economy despite challenges and fluctuations in other economic indicators such as exports and imports.

descriptive analysis shows the GDP and imports have flatter distributions with moderate variability. Meanwhile, exports are slightly more skewed to the right but show less spread. The correlation coefficient (r) value between export and import is a very high positive relationship which indicates that when import increase, export also increased. The high positive correlation between export and GDP which shows that as Nepal's economy grows, exports are also growing. The correlation between import and GDP shows the imports increase significantly as the economy expands.

5.2 Conclusion

This research paper has assessed and examined the trade and export promotion of Nepal in selected export, import and GDP variables with ten years data compiled and came up with a number of findings which leads to put the conclusion in such a way that although today era of Nepalese trade. The study is based on secondary data which have collected via ministry of finance and used descriptive and casual comparative research design. The study successfully elaborates the result to meet the stated objectives of the study and found meaningful. According to objectives and analysis of the data of the study following conclusion have been drawn.

Regarding the first objective of the study, to access the current situation of trade and export promotion of Nepal. The international trade balance shows the Nepal is heavily dependence on imports despite some export growth. The export trade data reflects Nepal's capacity to recover and grow its export sector despite external and internal challenges. The import trade data shows the upward trend with some fluctuations. The GDP indicates a consistent upward trend of Nepal's GDP over the ten fiscal year period. The descriptive analysis shows that the GDP and imports have flatter distributions with moderate variability. Meanwhile, exports are slightly more skewed to the right but show less spread.

The second objective of the study is to analyze relationship between export, import and GDP of Nepal. The gap between exports and imports remains high with reflecting Nepal's growing trade deficit despite increasing GDP. The correlation coefficient (r) value between export and import is a very high positive relationship which indicates that when import increase, export also increased. The high positive correlation between export and GDP which shows that as Nepal's economy grows, exports are also growing. The

correlation between import and GDP shows the imports increase significantly as the economy expands.

In conclusion, the researcher explore that based on the findings, all of the indicator of the study are showing positive relationship towards independent and dependent variables of the study. So, the researcher concluded that all of the trade are satisfied from the trade service despite faces many challenges and obstacles.

5.3 Implication

The findings from this study offer several key implications to policy makers, practitioners and academic community for the trade sector in Nepal, particularly regarding export promotion.

- The findings of the study can help them design and update rules and regulations that encourage the adoption of trade practices that enhance economy growth.
- The government bodies can use the study to create initiatives that promote export and ensure that all exporters have equal access to safe and convenient trade services
- The government can use the study to establish technology standards for trade platforms, ensuring that they are user-friendly, secure, and interoperable.
- The financial institutions and governments should collaborate to ensure that MSMEs can expand their access to international markets.
- The government should increase efforts to diversify export products beyond agriculture by investing in industry, innovation and technological advancements. This would reduce dependence on imports and improve export competitiveness.
- The Nepal government should make bilateral agreements with importing countries to determine export quotas, product diversity and possible adjustments in GSP tariff application to compensate for transport cost differentials.
- Participating in international trade fairs and sending trade delegations to potential markets as well as increased promoting of Nepali products in international media. It will help to expand the market for Nepali products.

The research shows that by strengthening export promotion strategies Nepal can promote sustainable economic growth, reduce the trade deficit and increase overall economic

growth. These findings provide important insights for policymakers, stakeholders, exporter and also researcher student which offering actionable recommendations for future trade and export development in Nepal.

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APPENDIX

Appendix 1

Total International Trade Balance of Nepal

(Value in Rs. Billion)

| Fiscal Year | Export | Import | Trade Balance |
|--------------------|---------------|---------------|----------------------|
| 2071/72 | 85.31 | 774.68 | -689.37 |
| 2072/73 | 70.11 | 773.59 | -703.48 |
| 2073/74 | 73.04 | 990.11 | -917.07 |
| 2074/75 | 81.35 | 1245.10 | -1163.75 |
| 2075/76 | 97.10 | 1418.53 | -1321.43 |
| 2076/77 | 97.70 | 1196.79 | -1099.09 |
| 2077/78 | 141.12 | 1539.83 | -1398.71 |
| 2078/79 | 200.03 | 1920.44 | -1720.41 |
| 2079/80 | 157.14 | 1611.73 | -1454.59 |
| 2080/81 | 152.38 | 1592.98 | -1440.60 |

(Source: Ministry of Finance)

Appendix 2

Export Trade of Nepal

(Value in Rs. Billion)

| Fiscal Year | Export |
|--------------------|---------------|
| 2071/72 | 85.31 |
| 2072/73 | 70.11 |
| 2073/74 | 73.04 |
| 2074/75 | 81.35 |
| 2075/76 | 97.10 |
| 2076/77 | 97.70 |
| 2077/78 | 141.12 |
| 2078/79 | 200.03 |
| 2079/80 | 157.14 |
| 2080/81 | 152.38 |

(Source: Ministry of Finance)

Appendix 3

Import Trade of Nepal

(Value in Rs. Billion)

| Fiscal Year | Import |
|--------------------|---------------|
| 2071/72 | 774.68 |
| 2072/73 | 773.59 |
| 2073/74 | 990.11 |
| 2074/75 | 1245.10 |
| 2075/76 | 1418.53 |
| 2076/77 | 1196.79 |
| 2077/78 | 1539.83 |
| 2078/79 | 1920.44 |
| 2079/80 | 1611.73 |
| 2080/81 | 1592.98 |

(Source: Ministry of Finance)

Appendix 4

GDP at current prices of Nepal

(Value in Rs. Billion)

| Fiscal Year | GDP |
|--------------------|------------|
| 2071/72 | 2,423.63 |
| 2072/73 | 2,608.18 |
| 2073/74 | 3,077.14 |
| 2074/75 | 3,455.94 |
| 2075/76 | 3,858.93 |
| 2076/77 | 3,888.70 |
| 2077/78 | 4,352.55 |
| 2078/79 | 4,933.69 |
| 2079/80 | 5,381.33 |
| 2080/81 | 5,704.84 |

(Source: Ministry of Finance)

Appendix 5

Relationship between Export, Import and GDP of Nepal

(Value in Rs. Billion)

| Fiscal Year | Export | Import | GDP |
|--------------------|---------------|---------------|------------|
| 2071/72 | 85.31 | 774.68 | 2,423.63 |
| 2072/73 | 70.11 | 773.59 | 2,608.18 |
| 2073/74 | 73.04 | 990.11 | 3,077.14 |
| 2074/75 | 81.35 | 1,245.10 | 3,455.94 |
| 2075/76 | 97.10 | 1,418.53 | 3,858.93 |
| 2076/77 | 97.70 | 1,196.79 | 3,888.70 |
| 2077/78 | 141.12 | 1,539.83 | 4,352.55 |
| 2078/79 | 200.03 | 1,920.44 | 4,933.69 |
| 2079/80 | 157.14 | 1,611.73 | 5,381.33 |
| 2080/81 | 152.38 | 1,592.98 | 5,704.84 |

(Source: Ministry of Finance)

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