IMPACT OF MONETARY INDICATORS ON ECONOMY OF NEPAL

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

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CERTIFICATE OF AUTHORSHIP

I hereby corroborate that I have researched and submitted final research paper of dissertation entitled **"IMPACT OF MONETARY INDICATORS ON ECONOMY 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 the dissertation.

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REPORT OF RESEARCH COMMITTEE

Ms. Sanjita Lama has defended research proposal entitled **"IMPACT OF MONETARY INDICATORS ON ECONOMY OF NEPAL" s**uccessfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisor Joginder Goet Submit the thesis for evaluation and viva-voce examination.

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Dissertation Submitted Date:

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APPROVAL SHEET

We have examined the dissertation entitled **IMPACT OF MONETARY INDICATORS ON ECONOMY OF NEPAL** presented by Ms. Sanjita Lama for the degree of Master of Business Studies. We hereby certify that the dissertation is acceptable for the award of degree.

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The research paper entitled **IMPACT OF MONETARY INDICATORS ON ECONOMY OF NEPAL** has been prepared in partial fulfillment for the Degree of Master of Business Studies (MBS) under the Faculty of Management Tribhuvan university. This research paper has aimed to examine current scenario of macro-economic variable and monetary evaluation to analysis the cause of catastrophe and monetary significance on economic enhancement. I truly express my honest gratitude and sincerity to my dissertation supervisor Joginder Goet of Shanker Dev Campus. I am thankful for valuable suggestion and comment given while preparation of research paper. The research paper has gained valuable result due to proper guidance and supervision. I express my thankfulness to Associate Prof. Dr. Sajeeb Kumar Shrestha, Head of Research department and Joginder Goet, acting Campus chief of Shanker Dev Campus for providing me opportunity to study under this research topic. I would also like to express gratitude to deputy director of Trade and export promotion center, Ministry of Industry, commerce and supplies for providing valuable data of macro-economic current scenario. Additionally, I would like to express thank to my family who have supported me during this research investigation and motivated me to complete my dissertation. I would like to take the responsibility of any possible mistakes that may have occurred in this research report. It would me more appreciable for any suggestion, comments from readers for the improvement of report.

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ABBERVIATIONS

AGRCG	Agricultural Contribution to Gross Domestic Product
BFIs	Bank and Financial Institutions
BML	Broad Money Liquidity
BOM	Broad Money
CER	Currency Exchange Rate
FER	Foreign Exchange Reserve
GDP	Gross Domestic Product
GER	Gross Exchange Reserve
GGR	Gross Domestic Product Growth Rate
GON	Government of Nepal
IIP	International Investment Position
IMF	International Monetary Fund
INDCG	Industrial Contribution to Gross Domestic Product
M1	Money Supply Consisting Currency and Demand Deposits
M1+	Money Supply Consisting Money supply (M1), Saving and Call deposits
M2	Broad Money
M3	Broad Money Liquidity
NDA	Net Domestic Assets
NFA	Net Foreign Assets
NPR	Nepalese Rupees
NRB	Nepal Rastra Bank
SCG	Service Contribution to Gross Domestic Product
TD	Time Deposit

ABSTRACT

The research paper examined the relationship in between monetary indicator with Gross domestic product with used of descriptive, casual-comparative method of study. To assessed the level of impact secondary data are collected from Nepal Rastra Bank, current macro-economic and financial report of eleven years. The paper analysis current economic situation with study of macro-economic variable. The monetary evaluation including monetary survey, central bank survey, interest rate's structure, reserve, exchange rate has highlighted the current monetary scenario of nation. The result state that there is positive relationship in between dependent and independent variables. The correlation and regression analysis verified the existence of major impact of foreign assets, money supply, time deposits and board money liquidity on Gross domestic product with use of software of SPSS and Microsoft Excel. The overall research study shows the catastrophe in economic level in case of Nepal and in order to eradicate such risk, monetary evaluation as economic variable study is necessity with efficient utilization of available resources. The government should formulate strong policy and implement such policy with redrafting policy loopholes for economic enhancement and stabilized market.

Keywords: Board Money Liquidity, Foreign Assets, Gross Domestic Product, Money Supply, Time Deposit

CHAPTER I

INTRODUCTION

1.1Background of Study

Nepal is among the least developed countries in the world with the GDP of USD 1324 per capita, 40.91 billion USD for whole country. In Nepal, about one-quarter of its population living below the poverty line can be observed through the economic survey. With heavily depend upon inflow of remittance, 30% of GDP is contribution of remittance where, contribution through agricultural and industrial sector are getting low. Agriculture is main stream of Nepalese economy which provides livelihood for almost two-thirds of population but accounting for only one-third of GDP. Agriculture, industry, export trade, service sector, and monetary indicator are influencer to economy of Nation. Economic growth depends upon one of the most important factors which is monetary indicator. Monetary indicators involve money supply, inflation rate, interest rate, exchange rate which are directly make effect on economy of nation. A positive change in monetary factors helps to reduce poverty and inequality boosting up economic growth, employment opportunities, per capita income, and living standard of the people within the Nation (Phidian, 2010).

Studying monetary indicators and its way of impact on Nepalese economy is consider critical area of study as these factors, shows the intricate relationship between monetary policy and economic performance. The question is raised why there is need of monetary evaluation and need of studying its indicators. Monetary indicator is key prime factor that shows the nation's wealth condition revealing future possibilities of development and investment. Especially for developing country like Nepal: it is an important issue to make monetary survey each year to identify nation's currency level and strengths. In contest of Nepal, being agriculturally based nation, major population depends on agricultural production however, in current production level is not sufficient for community to sustain. Remittances inflow is becoming dependent means for economic sustainability. The economic review and economic survey show the highest contribution of service sector to Nepal's GDP. The indication of economic variables stood as: GDP on 2022 was Rs. 4,212,145 million with growth rate of 13.38%, where it was Rs. 3,714,933 million on year 2021 decreasing from Rs. 3,428,524 million of year 2020. As per the record of Nepal-economic indicators, 2024Private consumption for the year 2023 was

Rs. 4,743,837 million and for the same year investment stood as Rs. 1,356,457 million. Consumer price index (CPI) on July 2024 is Rs 248.03. Exports of goods on 2024 quarter first stood as Rs. 317 million, current account balance for same period is Rs. 134 million, and imports of goods are Rs. 2,991 million. Exports of goods and service on 2023 stood s Rs. 385,111 million, imports of goods and services on 2023 is 1,964,330 million. The report shows the earlier years data which reveal real government consumption on 2017 was Rs. 93,990 million, nominal fixed investment (gross fixed capital formation) for same year is Rs. 878,605 million, real fixed investment (gross fixed capital formation) for same year was Rs. 207,262 million where real investment was Rs. 447,589 million. On year 2017 agriculture employment stood as Rs. 12 million and unemployment rate was 2.74%. Labor force stood on 2016 was Rs. 16 million. Real exports of goods and services on year 2017 is Rs. 102,457 million, real imports of goods and services on year 2017 was Rs. 463,258 million. Average long-term government bond on Jun, 2017 was 6, lending rate on Jun, 2017 stood as Rs. 7. This report clearly shows the economic scenario of nation revealing possibilities of upcoming crisis of Nation. The reason to analyze the monetary evaluation is to find the level of financial strongness of nation to cope with challenges associated with crisis.

Monetary regulation of framework is monitored by central bank of nation. In case of Nepal, Nepal Rastra Bank evaluated monetary factors, in order to maintained balance and liquidity in market. Monetary policies are reformed and evaluated in order to make effective utilization in Nation. Nepal Rastra Bank focus on stability of price, financial system stability with economic enhancement. As the economic report has shown possibility of catastrophe on economy of Nepal, as downfall of industrialization and only dependent on remittance, it has become essential for studying the relationship between monetary indicators and economic performance. Policy maker should review loop-holes with identification of problem to design an effective strategy that will assist and assure economic enhancement. The relationship between monetary factors and economic growth has been playing an important role in the economic development of developing countries (Hussan et al, 2017*).* The new Keynesians firmly believe that money supply, positively affects the real macro-economic variables in short-run like GDP, employment level owing to price rigidity and inadequate inflows into the market *place* (Hussan et al, 2017).

Afterward of massive earthquake of 2072 BS and COVID-19 pandemic, Nepal has faced several economic problems which are associated with monetary variables like of rising inflation rates, fluctuating exchanges rate, variations in money supply. Monetary indicators Net foreign assets, Net domestic assets, Board Money, Board Money liquidity have its influence on investment, consumer spending capacity and an overall economy. Additionally, Monetary evaluation is necessity for analysis for how monetary indicators influenced domestic and international economic conditions. The central bank of Nepal statistics indicates that the supply of board money growth in 2018 was 19.8% whereas in 2019 the supply was 13.8% where, Nepal's economic growth in 2018 was 6.7% which is 2.3% higher in 2019 as per Nepal Rastra Bank report of year 2019 which provides evidence to prove money supply do have positive effects on Nepalese economic growth. Understanding monetary indicators and its impact is important for carry out effective monetary policies that promote economic stability and growth. This study will comprise a foundational step toward a more nuanced understanding of Nepal's business-related countryside, eventually aiding in the happening of conversant procedures for sustainable financial progress.

1.2 Problem Statement

The economy of Nepal, as per survey reveals the possibility of catastrophe in near future. The fluctuation in the economic level of Nation due to various factors like inflation, interest rate, money supply makes direct impact on consumer and their level of consumption. The earning, saving and spending capacity of local consumer are affected by inflation rate and interest rate fluctuation where, liquidity of market is affected by money supply. These changes on consumption or saving make changes in economy of Nation as impact is seen in demand and supply of any commodities. This simplest example shows how necessary is to make monetary survey and evaluation to stabilized the inflation and to maintain liquidity in market. Monetary indicators are important factors that shape the economic performance. In case of stabilized inflation and higher investment with adequate financial resource Nation's would achieve more prosperity with financial as well as economic development. In order to maintain economic growth and harmonized market, it is necessary to analyze monetary indicator and how their performance makes changes in Nation's economy. Especially country like Nepal where structured challenges and external dependencies existed, growth in economic level is crucial for development of Nation's ability. Monetary survey provides

information regard availability of foreign assets, domestic assets, and board money and board money supply in Nation where with analysis of these factors correlating with GDP measure its impact on overall economy. The current scenario reveals the downfall of industrialization production, agricultural contribution, negative trade balance, high dependence on remittance inflow providing evidence to coming economic catastrophe. On such case, it has become vital aspect to analyze monetary indicator for betterment in economic level. With the availability of adequate resources and its effective use, Nations can carry out developmental project as well cope the possible economic challenges. Monetary evaluation through measurement of its indicator shall provide how economic performance can be enhanced.

This paper intends to research on monetary factors and economic growth in Nepal. With primarily focusing on the economic growth, investment, employment and overall economic sustainability the research paper seeks to find out answer of following questions:

1. What are the prime monetary indicators affecting economy of Nation.
2. How does Net foreign assets, money supply, time deposits, board money supply affect economy of Nepal?
3. What sort of impact do net foreign assets, money supply, time deposit, board money supply has on GDP of Nepal.

As it has become necessity to study on monetary indicators, this paper tries to examine the relationship in between net foreign assets, money supply, time deposits, board money supply and GDP. With study of these variable and their impact, the research paper highlight on effectiveness of monetary policies in Nepal. This research paper investigates monetary policies, monetary factors, and economy of Nepal to understand what sort of change can be recommended to formulate strategies to cope coming economic challenges.

1.3 Objective of the study

Being Nepalese student, the prime responsibility of writing this research paper carry intention to highlight economic condition of Nepal and to investigate how economic growth can be achieved through analysis its variables. It is necessity as well as responsibility of educated person to investigate on Nation's current issue, and its overall impact on citizen. This research paper highlights effectiveness of monetary policies that helps to have economic development. How trade (import, export, trade balance) has influenced nation's economy

with investigation on agricultural contribution, industrial contribution, service contribution are studied. This paper has major focus on monetary indicator and its impact on economic level of nation to provides recommendation to formulate effective economic strategies. The major objective of this paper is:

1. To evaluate prime monetary indicators associated with economy of Nepal.
2. To examine relationship of net foreign assets, money supply, time deposits, board money supply with GDP of Nepal.
3. To investigate the impact of net foreign assets, money supply, time deposits, board money supply on GDP of Nepal.

With the investigation of monetary indicators, this paper shall provide some important issue for future examination as research paper providing evidence of necessity for evaluation of economic variables to ensure economic growth and prosperity.

1.4 Rationale of the study

Economy of Nepal is integrated with various factors, with change in one factor make influenced on overall economy of Nation. Economic sustainability is crucial to provide economic growth and development, one of factor that have significant role to address economy is monetary indicator. Nepal often has to cope with challenges associated with monetary factors. It has become necessity to study parameters of monetary indicator measuring its long-term impact on Nation's growth and sustainability. This research study helps to mitigate risk and provides economic strategies to deal with economic oriented issues or future possible challenges. In order to ensure economic prosperity of Nation, analysis of monetary indicator is essential. Investment, inflation rate, consumer consumption, liquidity are some variables that have direct effect on economy. The investigation provides strategies to stabilized inflation and to maintain liquidity in market. Another prospective is monetary policy of nation. In Nepal, Nepal Rastra Bank make implementation of monetary policies with an objective of economic enhancement. With analysis of monetary indicators, effectiveness of monetary policies can be measured. Additionally, this paper shall be useful to stakeholders, investors, policymakers to acknowledge monetary indicator impact on overall economy as well as current scenario of economy of Nepal. This paper can be used as

reference for further research on associated topic as academic literature. With this research paper just not only impact analysis can be studied, this paper shall provide evidence of necessity to concern about economic issue of Nepal to mitigate future economic issues.

1.5 Limitation of the Study

Economic study carries different variable associating short term as well long-term impact on nation's growth. For concrete result, integrated analysis covering all the variables is necessary. However, this research paper focus on monetary aspect of Nation. This paper has concentrated the study on the focus of monetary indicator to study role of monetary factor on economic performance. This might not be sufficient to address the overall economy issue but, it shall properly address monetary impact on economy. Similarly, this paper is based on secondary data taken from the report published by Nepal Rastra Bank. This paper does not include any primary data or survey so it lack of opinions of stakeholders, investor policy maker and public regards to monetary evaluation and their recommendation for changes however, it is based on concrete and sufficient data to reflect current scenario, As per the monetary survey, foreign assets, domestic assets, board money, board money liquidity, inflation, net capital inflow, trade balance, consumption, investment, government expenditure, rate of interest, gross national product, autonomous capital inflows, cash held by non-public banks, cash held by the banks, base money, balance of payment, unemployment, international investment position, are the factors of monetary evaluation where this paper has research on net foreign assets, money supply, time deposits and board money liquidity. Furthermore, this research paper is specific to Nepal's economy so it may not be applicable to other developing countries having different economic base and parameters.

CHAPTER II

LITERATURE REVIEW

The comprehensive study of previous published or unpublished article is literature review. The analysis of record, emphasis the methodology, variables used in statistical tools and techniques are performed in literature review. It is all about studying historical cases with analysis of particular associated given topic with the study or review of previous studies. Researcher gets knowledge for conducting the research. Literature review is done with evaluation and analysis of post records. It also includes critical evaluation of particular subject matter. Literature review makes helps to gain focused on topic, improvement and additional in research methodology. With the previous study research expand their knowledge and give conclusion to their findings. Literature review makes commentary analysis on previous review, researcher gains insight knowledge on methodology used, objective and variables (element) of given research. One of the important aspects of literature review is to find research gap. Research gap is content which lack on previous research is and it can be found through summarization of scholar's articles. As literature review provides overall structural procedure to begin research, it gives procedure to begin research, it gives information to develop research with acknowledgment of the research methodology and tools. Literature review can be classified as conceptual review, empirical review, and research gap. Conceptual review gives information to researcher, investor regards to variables and concept of overall research. It can be said that conceptual review is brief description of variables of research to make reader much clearer about why research is necessity on given issue. Empirical review is all about previous research on particular topic. It summarizes the previous study issue, objective, variables, methodology and findings highlighting the finding. The good literature review assures of identification of research problem, methodology and findings of previous research. It provides knowledge of best techniques that can use be ensure better result. The literature review consists of following parts:

2.1 Conceptual Review

Conceptual review highlights concept-based idea, acknowledgement, thoughts except verified test and experiment. Concept review provides information about the variables and relative factors of research topic. It makes reader familiar to the testing variables and related topics associated to thesis. Conceptual review clarifies classification of variables, and gives brief introduction about their uses in research paper. It is simply built concept of related factor to make more clarifies.

2.1.1 Economic Analysis

Economy analysis involves study of macro-economic variable and measurement of their impact of economy level of Nation. Analysis on economy integrated variables of economy. Nepalese economy required loss of changes in policies and implementation in order to compete in globalized market. Being based on agricultural productivity for livelihood as well economic sustainability, on current scenario, well performance in agricultural production yet not soon. Agriculture, Industry, service are prime branch of economy to build better nation. As per the current macro-economic and financial situation (2022/23) report, share of agriculture, industry and service are 24.12%, 13.45% and 62.43% respectively where, Gross domestic product for year 2023 was Rs. 4,255,985 million. The report of world bank data reflects gross domestic product in 2022 was Rs. 12,647 USD per capita, where, GDP in Nepal stands at USD 1,337 Per capita. Gross National Product (GNP) stands at 40.94 billion USD and 1340.20 USD per capita. The report further provides information of inflation which found 7.65% for year 2022 increasing from 3.6% (year, 2021). The value of import was Rs. 15.46 billion USD with value of export Rs. 2.43 billion USD. Furthermore, the national debt reached Rs. 18 billion US dollar with debt rate stand at 43.83%, unemployment rate 10.97%, corruption index 35 and tourism revenue collection Rs. 176 million USD. The following table reflects the economic analysis and contribution of major variables to GDP:

Table 1

Economic Variables Analysis

Fiscal Year	GDP	GGR	% of AGRCG	% of INDCG	% of SCG	Trade Deficit
2022	4,212,145	13.38	24.67	14.10	61.24	1720.42B
2021	3,714,933	8.35	24.55	13.50	60.54	1398.71B
2020	3,428,524	2.57	27.00	12.87	60.87	1099.09B
2019	3,342,481	11.00	25.10	13.76	52.38	1321.43B
2018	3,011,022	10.68	25.46	13.54	51.73	1161.64B
2017	2,720,563	16.19	25.48	13.01	50.12	917.06B
2016	2,341,402	7.08	28.00	12.53	47.96	-
2015	2,186,608	-	-	-	-	-

(Source: Nepal Rastra Bank, current macroeconomic and financial situation)

Table 1 shows the current scenario of economy level of nation for period of 2015-2022.The GDP trends to have positive increment with highest contribution of service sector. The growth rate of GDP seen positive but somehow, fluctuation can be seen, it has not increased in constant way. The contribution from industrial sector has slightly increased in this period. The lower contribution is given by industrial sector where, percentage of agricultural productivity has become lower at period of 2022 in compare to year 2016. It shows depletion on agricultural productivity. The fostering and growth service sector in no doubt has provide highest contribution to GDP and is in continuous positive trend. However, trade deficit shows how nation fund is getting outflowed and dependency on import can be seen. The increment of trade deficit is negative sign to economic growth. It causes lack of nation fund to investment which create liquidity crisis in market. The reason on too much dependent on import is not being able to have nation's own production. The closed down of industry, depletion on agricultural production are prime reasons. The analysis shows coming catastrophe in Nepalese economy.

2.1.1.1 Industrialization

Industrialization is considered pillar to economy of nation as it serves as production of different element of necessity for consumption. It involves the manufacturing process to

finalized goods. In simple way, for making nation competent to globalized market, industrial production plays crucial role. In most of case, it involves transfer of raw material into finished product including agricultural production. In case of Nepal, the concept of industrialization was involved with opened trade boarder of Banepa-Kuti trade route on year 639 A.D. At time of king Mahendra Malla, he emphasized protectionist policy for cotton mills in the country on that period, production of cotton, woolen clothes, paper food, copper and wooden crafts, ceramic pots and statues were high. At the beginning of 19th century, due to increment of cheap foreign product the declination of cotton production was seen. On year 1940 A.D, Department of Industry was established which conduct different program and training for development of cotton industries. Government plan, policies and regulation are also supportive factor to make industry growth.

The first five-year plan (1956-61) was implemented with an objective of restoration of sick industries as well as growth of new industries;

Table 2

List of Industrial Estates

S.N.	Industrial Estates	Establishment Year	Financial Assistance	Location
1.	Balaju	1960	USA	Kathmandu
2.	Patan	1963	India	Lalitpur
3.	Hetauda	1963	India	Makwanpur
4.	Dharan	1972	India	Sunsari
5.	Nepalgunj	1973	India	Banke
6.	Pokhara	1974	Nepal	Kaski
7.	Butwal	1976	Nepal	Rupendehi
8.	Bhaktapur	1979	Germany	Bhaktapur
9.	Dhankuta	1980	Nepal	Dhankuta
10.	Birendranagar	1980	Netherlands	Surkhet
11.	Gajendranagar	1986	India	Saptari

(Source: Industrial District Management Limited, 2018)

Table 2 shows the list of industrial estate with date of establishment financial assistance and location. Different financial assistance was provided to Nepal to established industry. According to department of industry, 203 industries were established in year 2020/21. In Nepal, there were 8453 industries with domestic and foreign investment till year 2021 out of which 1214 were large, 1908 were medium and 5331 were small scale industries providing employment to 628712 individuals.

The reason of research to study over monetary evaluation to analyze impact and it is necessary to identify coming catastrophe in future. One of reason to create such catastrophe is industrial downfall of Nepal. As per rule of sick industries, industries were marked under sick industries due to reason of production lower than breakeven point, higher operation cost, etc. The list of industrial shut down as per report of ministry of industry, commerce and supplies is given as;

Table 3

Industrial Analysis

S.N.	Industrial Name	Reason to Shut Down
1.	Udayapur Cement	Operation below BEP Continuous loss for several year
2.	Hetauda Cement	Operation below BEP Higher operation cost
3.	Nepal orind Magnesite Pvt. Ltd	Fault in machinery equipment Higher expenditure
4.	Nepal Aausadhi Limited	High amount of loan
5.	Janakpur cigarette Industry	High amount of loss
6.	ButuwalDhagoKharkhana	High amount of loss
7.	Nepal metal company	No reason disclosed

(Source: Ministry of Industry, commerce and supplies, sick industries report)

Table 3 shows reason of closed down of sick industries. The udayapur cement was established on year 2044/02/31 with area coverage of 198 hector area with availability of raw material for 200 years of operation. The operation capacity was 2,77,200 where only 40%

was in used. The investment of government for the company was of Rs. 364.81 Crore. The reason to shut down was production during operation was below the BEP and being at continuous loss for several years. Hetauda Cement with operation capacity of 2,60,000 metrics tons with availability of 200 years of operation, government fund of Rs. 90.47 crore was closed due to ineffective utilization of human resources and higher operating cost. Total 2453 employees including permanent employees were involved as worker. Nepal orind magnesite Pvt. Ltd having Rs. 18 Crore raw material of magnesite and 5 lakhs metric tons khari stone enough for 100 years of operation covering 364 ropani was closed due to fault in machinery equipment and higher expenditure. This industry was established on 2053 BS Ashar 25 and loan assist by government was Rs. 81 crore and 15 lakhs. Nepal Aausadhi Limited established on year 2025 BS Ashar 15 having land coverage of 41-9-2.1 ropanijagga with fixed assets of RS. 18.04 Crore was marked under sick industries with reason of high amount of loan. The investment fund was totally provided by government. Gorkhali rubber Udyog established on year 2041-02-30 covering 662 ropani land, with government investment of 38.63%, net worth of Rs. 16.96 crore was shut down due to ineffective utilization of available resources and high amount of loan. Janakpur Cigarette industry established on year 2021-09-19 having area coverage of 34 Bigah land, government fund of Rs. 4.08 Crore was shut down due to high amount of loss. Butwal DhagoKharkhana established on year 2049 B.S Ashar 12 with government fund of Rs. 33.51 crore was closed and yet no specific reason has yet disclosed on report. Some of company were shut down after being privatized which were BhrikutiKagajKharkhana, Harsiddhi Itta tile Kharkhana, Nepal Lube oil, Nepal Dalaut Limited, BalajuKapada Udyog, Lumbini Chini Kharkhana. This report clearly shows industrial investment and resources has not been utilized properly which occur downfall of industrial production.

2.1.1.2Agriculture

Nepal is agriculturally based country. Agricultural production is key source to economy of Nepal. World Bank report provides evidence of dependency on agriculture by stating agriculture sis the main source of food, income and employment for majority of population in Nepal having contribution of one-third of GDP. The Nepal Rastra Bank report share agricultural contribution for 2022/23 was 24.12%. The potential market for Nepal is for cardamom, ginger, garlic, turmeric, silk cocoons, honey and mushrooms. Similarly, Rice,

wheats, potatoes, sugarcane are considered as major crops. The declination of agricultural contribution to GDP can be clearly seen which has result to dependency on import material. One of the reasons why agricultural production is getting low is due to difference in between actual market rate of agricultural product and what farmer actually get. On observation of market, farmer doesn't receive as equal to their production cost. The second reason for lower productivity is lack of agricultural equipment. The lower production level cause dependency on import which gives evidence for coming catastrophe.

2.1.1.3 Service

Service sector is emerging as powerful foundation to economic growth. with changing and versatile era of technology, service sector is evolving as well. In country like Nepal, growth of service sector is crucial to provide employment opportunities, trading services and for fund mobilization. Service sector involves activities like financial and insurance activities, real estate activities, professionals, scientific and technical activities, administrative and support service activities, public administration and defense, education, human health and social work activities, art, entertainment and recreation. The report of Nepal Rastra Bank state of having highest contribution of service sector on GDP in incremental way. This sector contribution shall bring up economic growth and eradicate possibilities of catastrophe in Nation.

2.1.1.4 Trade

International trade is exchange of goods and services in between two or more than two nations. Trade is strongest factor that directly affect economic level of any nation as it involves import, export and competition on globalized market. International business integrated business of different regional sector in one globalized market which is challenging itself for developing countries, too much dependency on import is dangerous while to achieve economic prosperity export level should be incremental. Export makes foreign fund inflow as well provide potential opportunities to take stand as competitor in international competitive world in oppose to that import occur outflow of fund which scare the resources

to invest. The analysis of macroeconomic report of Nepal Rastra Bank shows incremental trade deficit reflecting higher import level. This is evidence to show challenges for nation.

2.1.2 Monetary Analysis

The analysis and evaluation of money supply, interest rates, inflation with in an economy is monetary analysis. The study of this monetary variables makes better understanding of their impact on economy of nation. Money supply, interest rates, inflation rates, credit, monetary policy are the key variables to monetary analysis. The fund mobilization in an effective way is necessity to enhance profitability. Monetary evaluation shows the level of assets, money liquidity position that nation hold. Monetary policy provides rules for proper mobilization of assets.

2.1.2.1 Monetary Survey

This is comprehensive assessment done by central bank of nation providing information regard to money supply, credit and liquidity. In case of Nepal, Nepal Rastra Bank conduct monetary survey each year on the basis of monetary and financial statistics manual. Monetary survey is analysis of monetary aggregates which can be further classified as;

1. Net Foreign Assets
    1.1 Foreign Assets
    1.2 Foreign Liabilities
        a. Deposits
        b. Other
2. Net Domestic Assets
    2.1 Domestic Credit
        a. Net Claims on Government
            i. Claims on government
            ii. General Government Deposits.
        b. Claims on non-financial government enterprises
        c. Claims on other financial institutions
            i. Government

ii. Non-government

d. Claims on private sector

2.2 Net non-monetary liability

3. Board money

3.1 Money Supply (a+b), M1+

a. Money Supply (M1)

i. Currency

ii. Demand Deposits

b. Saving and call deposits

3.2 Time deposits

4. Board Money Liquidity (M3)

2.1.2.2 Inflation

Inflation is one of component of monetary evaluation having strongest influence on economy of nation. In simple term, inflation is increase in price of goods and services. Inflation is caused by excessive of demand than supply, increased in production costs, higher in living costs, exchange rate etc. which have several negative impacts. Declination of purchasing power of consumer is one of them. When inflation arises, purchasing power decline. Inflation also cause raise on interest rates. while dealing with inflation, central bank tends to raise interest rates. This increment increases cost of borrowing which ultimately slow down economic activities. With increased in inflation level, question of sustainability also raises constant level of income, and higher amount of expenditure can't make public longer sustain in competitive world and they begin to seek foreign employment opportunities. In reality, in case of Nepal, it has become vicious cycle increased of inflation lead people search of opportunities of higher income that lead them to accept foreign employment opportunities which scare human resources to Nepalese industry, without industrial production we must depend on import that ultimately outsource our nation's wealth. Nepal needs human resources for industrial, agricultural productivity but with higher cost of living and lack of well opportunities public get attracted by foreign opportunities. Inflation affects both human resources as well investment resources of nation. Higher the level of inflation there shall be lower level of investment.

2.1.2.3 Exchange Rate

The value of one country's currency in relation to another's country is known as exchange rate. Normally, exchange rate is represented at US dollar rate. Exchange rate does have effect on economy of nation and is considered as one of factor of monetary evaluation. It also reflects how much country's currency is strong in world. In case of exchange rate, reduction in Nepalese currency makes import value more expensive as conversion rate become higher like was lower value of Nepalese currency have negative impact on remittance inflow, foreign debt, balance of payment etc. It is important to make currency strong to compete in globalized market. In most of case, Nepalese worker seek foreign opportunity due to conversion rate as well. The saved amount in foreign nation has higher currency value in Nepal, it brings remittance inflow however, it makes outflow of skilled manpower.

2.1.2.4 Interest Rate

Another element of monetary evaluation is interest rate. In simple term, rate charged by lender to borrower is interest rate. With high level of interest rates, loans and borrowing become expensive causing declination of investment whole with lower interest rate, investment get foster. Likewise, higher interest rate motivates people to save as well. Sometimes, central bank of nation raises interest rate to mitigate impact of higher inflation. Similarly, Foreign direct investment, currency exchange, real estate business are affected by interest rate.

2.2 Theoretical Review

Economic survey considers monetary and financial sector as strongest variable to economic enhancement. Economic indicators include measurement of macroeconomic performance, Gross domestic product, consumption, investment, international trade, central government budgets, prices, money supply and balance of payment (world bank, 2024). Monetary evaluation is crucial analysis to foresee economic challenges and to build the strategies to deal with. It involves monetary survey, inflation, exchange rate, etc. The evaluation makes assessment of monetary factors and their impact on economic performance. The theoretical

review shall highlight on different theories related to monetary evaluation provided by different scholar. Monetary evaluation theories include different economic theories that has examined the relationship between monetary factors and economic growth. Some of theories on monetary evaluation are given as;

1. Keynesian Monetary Theory

The Keynesian monetary theory is based on idea of John Maynard Kayne's which is composed of three concepts -investment multiplier, marginal efficiency of capital and interest rate which affect investment ultimately affecting aggregate demand. The base concept of this theory is liquidity preference which state that people prefer to save money for different purpose and changes in interest rate influence the demand for money. It also mentioned that lower interest rate motivates people to have higher borrowing and investment.

As this theory is based on three concepts with analyzes of how three concepts interact in short period, Keynes give explanation opposite to countercyclical monetary policies and by examining how they respond in long period, Keynes explain reason of economy tends to fluctuate around to long period equilibrium position that is characterize d by unemployment. The theory state that sole objective of the monetary authority should be to use its influence over the interest rate. (Dickens, 2011).

2. Quantity Theory of Money (QTM)

The theory of quantity theory of money was originally formulated by polish mathematician Nicalaus Copernicus in 1517. It gets famous with publication of book called "A monetary history of the United States 1867-1960" in 1963 written by Milton Friedman and Anna Schwart. This theory state that general price level of goods and service is proportional to the money supply in an economy with assumption level of real output and velocity of money is constant. This theory assumes quantity of money has a significant influence on economic activity. Its state, change in money supply results in either a change in price levels or change in the supply of goods and services, or both. The basic equation for quantity theory of money is fisher equation which is as follow;

$$(M)(V) = (P)(T)$$

Were,

M= Money Supply

V= Velocity of circulation (the number of times money changes hands)

P= Average price level

T= Volume of transaction of goods and services

This theory state in case of amount of money in an economy doubles all else equal, price levels will also get doubles (Kelly and Rubin, 2024).

3. Monetary Policy Transmission Mechanism

The concept of monetary policy transmission reflects process regard how monetary policy decision impact economic growth of nation. This mechanism stated that changes in monetary policy makes influence on interest rate (that impact borrowing costs and spending), bank's lending capacity (which influence availability of credit for consumers and business), assets price (stocks, real estates), changes in market rates effect cost of borrowing affecting demand for credit and related consumption. Changes in assets price impact people's consumption through the wealth effect. It says official interest rate is an important tool which impact economy changes in official interest rates gives impact on expectations of economic agents. The changes in official rate have impact on fixed income rates, assets valuations, expectations, exchange rate causing effect on demand for goods and services import prices and inflation. (Corporate Finance Institute, 2024).

4. New Keynesian Economics

The General theory of employment, interest and money published in 1930s written by John Maynard Keynes is base book for ideology of Keynesian economy. However, the label "New Keynesian" in 1980s responded to new classical critique with an adjustment to the original Keynesian tenets. New classical economists such as Robert Lucas, Thomas J. Sargent and Robert Barro called into question many of percepts of the Keynesian revolution. The question of disagreement uses for both theories regard to quick adjustment of wages and

prices. New classical economists define theories an assumption that wages and prices are flexible. The new classical economists' theories assume that prices clear market by quick adjustment however, they believe market clearing model cannot explain short-run economic fluctuations. The concept of these theories says there is no quick adjustment in price and wages to changes in demand supply. New Keynesian theories rely on this stickiness of wages and prices to explain why involuntary unemployment exists and why monetary policy has such a strong influence on economic activity. (Mankiw, 2024).

5.Expectations Augmented Philips Curve

The expectations augmented Philips curve have assumption that in case of rise in action inflation, expected inflation will also increase and the Philips curve will move upwards so as to give the same expected real wage increase at each employment level. The theory clarifies relationship in between inflation and unemployment providing insights on short-run trade-off between inflation and unemployment. It shows that for short run period, lower unemployment can lead to higher inflation while in opposite higher unemployment leads to lower inflation. Under this model there is no long-run trade-off between unemployment and inflation (oxford university press, 2024).

6.Monetary Disequilibrium Theory

Monetary disequilibrium theory is an economic protocol which describes variations in economic protocol which describes variations in economic activity and price levels through fluctuations in the supply and demand for money. This theory state that imbalance between the amount of money available in an economy and desire of people to hold money lead either inflation or deflation causing economy to deviate from its full-employment output (quick economics, 2024).

7. Modern Monetary Theory (MMT)

Modern monetary theory (MMT) is a heterodox macroeconomic supposition that asserts that monetarily sovereign countries such as the U.S, U.K, Japan and Canada which spend tax, and borrow in fiat currency. This theory believes that nation which issue their own currency

will never have monetary crisis as they are able to create more money. It also states that government spending is not constrained by revenue (taxes) so, it can be adjusted to solve unemployment problem and have positive economic growth till it doesn't lead to inflation. This theory also challenges belief system of government interaction with economy, tax utilization and budget deficits (disouza, 2024)

2.3 Empirical Review

The study of critical analysis of past published articles, thesis, report is empirical review consisting evaluation of past research and findings for related research topic. It studies issues, objectives, methodology used, tools defined and result of previous study conduct by researcher. Empirical review emphasis on the recorded articles. Some of the review collected for impact of monetary indicator are as follows;

Subedi et al. (2024) investigated the relationship in between macroeconomic variables and money supply within Nepal's economic landscape. The research objective was to explore the impact of macroeconomics variables on money supply dynamics encompassing trends, money supply dynamics, and impacts. The data were based on secondary collected from Nepal Rastra Bank, International Monetary Fund and World bank for the period of 1992 to 2022. The research study is conducted through descriptive and inferential analysis resulting significant fluctuations in money supply driven by GDP growth, inflation, exchange rates and interest rates. The study had made analysis on the trend of macroeconomic variables. The implications were far-reaching offering policy makers get acknowledge for importance of effective monetary policies along financial institutions and business in adapting investment strategies and providing way of future cross-country comparative analysis. The researcher's exploration has provided advanced informed decision-making, facilitating sustainable economic growth in Nepal.

Tiblola et al. (2024) analyzed relationship between monetary policy variables of bank Indonesia's benchmark interest rate, inflation rate, exchange rate, foreign exchange reserves and budget deficit with the company's financial performance. The research work has evaluated the impact of monetary policy on the financial performance of manufacturing companies in Indonesia with study of implication of interest rates. The paper studied the

impact of monetary policy with use of quantitative approach through multiple regression on secondary data collected from annual financial reports of manufacturing companies listed on Indonesia Stock Exchange (IDX) year 2015-2023. The research highlight on the importance of monetary policy and macroeconomic stability for the determination of profitability of manufacturing companies in Indonesia. The study concluded that corporate management should develop more adaptive strategies to deal with fluctuations in monetary policy and macroeconomic conditions.

Assefa (2024) conducted a research question of how monetary policy decisions translate into an important macroeconomics outcome in Ethiopia with use of descriptive tools and econometric estimates from a structural vector auto regression model based on quarterly time series data of 2006-2020. The study reveal that the current structure and development of financial system is problematic for effective monetary transmission. In order to have successful monetary policy the study suggest two-pronged effort consisting short-run strategy aimed at revising monetary policy framework and a medium to long run strategy aimed at reforming the financial service sector.

Nurfauzi et al. (2024) examined the impact of monetary policy on economic stability in Indonesia with analysis impact through literature review. The paper review over the past analysis and it make reveal that there is significant impact of monetary policy on economic stability hence requires a careful and balanced approach. The research paper reflects that interest rate decisions made by Bank Indonesia have a direct impact on consumption, investment and overall economic stability.

Wu (2024) analyzed relevant literature and historical experiences in monetary policy during crisis periods. The research examined on the operational strategies employed during the crisis period by federal reserve bank in order to respond the crisis as well it studied on development of novel monetary policy instruments aimed at sustaining liquidity within the financial system. The paper explained the dynamics of international monetary policy cooperation amidst crisis. The research paper concluded that within the framework of heightened economic globalization it underscores the imperative for central banks to implement monetary policy with precision in addressing financial crisis.

Park et al. (2024) examined on impact of interest rates, money supply and other variable supply chain stability with evaluation of effectiveness of monetary policy in addressing supply chain disruptions during economic crisis with a focus on Nigeria. In order to obtain an objective of study the paper has used Vector Auto regression (VAR) model. The research paper state that the interest rate adjustments and money supply management have significant short and long-term effects on mitigating disruptions. The paper reveals the importance of coordinated policy efforts and recommends continued focus on interest rate management and liquidity provision to boost supply chain resilience during crisis.

Wang et al. (2024) examined the recovery using difference in difference model on data collected during COVID-19 phase. The research paper has intended to study economic recovery in China using the pandemic means for economic growth and energy. The examination stated there was 0.21 percent increase in western's region' s economic growth while there was 0.15 percent increase in growth of southern central and northern region's economic growth during pandemic period. The paper has given evidence of actual provincial spillover effects in the clustering of high and poor-performing regions. The research paper concluded the impact of China's economic resurgence beyond the pandemic phase plays an important role in expanding power consumption in different regions.

Dery (2024) studied the predictive abilities of narrow and board divisa money across three categories (original, credit card- augmented and credit card-augmented inside money). The research paper examined on objective to analyze sector-specific data on real GDP, value added, employment, and unemployment rate across thirteen diverse sectors in the United States. The research paper has used Granger Causality Analysis for examination. The results studied the narrow divisa money serve as robust predicators of sector specific economic and labor market indicators often surpassing the predictive capacity of the conventional fed fund rate and slightly outperforming broad divisa measures in relation to these indicators.

Challoumis (2023) investigated the index of cycle of money in case of England with an objective to apply the theory of money cycle. The methodology used in this paper was cycle of money to study the deposits, global index. The research state the economy of England is well structured and leading economy as well the report itself is important as it has defined the strength of England's economy emphasizing the period of 2012-2017. The results show

that England outperforms the global average. England's economy is one of the best in the world, and it can withstand any economic crisis or depression.

Neupane (2023) assessed the long-run and casual relationship of various monetary and fiscal policy measures within the economy growth of Nepal using annual time series data from 1976/77 – 2021/22 to investigate relationship in between these variables. The study includes econometric method of cointegration and vector error correction model for study. The research reveals in long-run, monetary policy measures board money supply has the negative relation in oppose to that, interest rate and exchange rate have positive relation with the economic growth. The cumulative sum (CUSUM0 tests shows there is stability of coefficients in the model on the diagnostic test indicate the absence of serial correlation and heteroscedasticity in the model. The Ganger causality test verify the existence of casual relationship between dependent and independent variables. Thus, this paper concludes there is existence of long-run relationship of monetary and fiscal policy measures with economic growth in Nepal.

Fabris and Lazic (2022) studied monetary policy reaction function on panel data of 37 world economies both advanced and emerging markets during the period of 1955Q1 -2018Q3 with an objective to investigate role and importance of exchange rate in monetary policy reaction function depending on the level of economic development. The research paper the formation was made with set of unbalanced panels formed with a balanced relationship between developed and emerging market economies. The research study is based on econometric assessment of monetary policy reaction function within which the central bank adjusts its key policy rate to dynamics of output gap, inflation and fluctuations of real effective rate. The examination conclude exchange rate represents a statistically significant variable only in monetary policy reaction function of changing market economics.

Dhungel (2021) investigated relationship in between Nepalese monetary factors and Gross domestic product growth with data from 1980-2019 using Johasen approach to cointegration and error correction model. The research methodology was used to make confirmation of short-term and long-term contribution of monetary factor to Gross Domestic Product. The paper confirmed there is positive and significant effects of Board money supply and Consumer Price Index on Gross domestic product growth in Nepal.

Rizky et al. (2021) analyzed monetary policy on the economic stability in realizing a sustainable and digital economy in Indonesia. The research paper had an objective of this research paper is to examine macroeconomic stability. This paper had use quantitative methods with a descriptive and verification approach with secondary data of period 2010-2023. The finding is based on seemingly unresolved regression which show that interest rates, money supply and electronic money are able to explain 30.3% and the remaining 69.7% of gross domestic product is influenced by other variable outside the estimates in the model.

Saiti et al. (2021) investigated the efficiency of the transmission mechanism of the monetary policy in a banking system with excess liquidity. The research paper carry objective to study how the interest rates affect total lending and the overall economic activity in the country. This research paper investigates on the case of republic of north Macedonia, whose banking system has exhibited excess liquidity in past decade. In order to study level of impact of the central bank interest rate on the inflation rate on lending and real GDP the paper has used VECM model with data of 2000-2019. The analysis provides result of negative long-term impact of central bank bills interest rates on lending and real GDP in north Macedonia where no impact was found for short -run.

Matres et al. (2021) assessed the impact of money supply on economic growth rate, inflation rate, exchange rate, and real interest with use of empirical analysis. The paper has studied data of 217 countries from 1960 to 2020 to investigate the level of impact. The outcome has provided support to the quantity theory of money. The research investigation reveals that there is negative relationship between real money supply and real interest rate. The result evidence that lagged money growth rate is positively correlated with GDP growth rate however, money growth rate is negatively correlated with GDP growth rate.

Acharya (2019) analyzed relationship in between real money supply (both M1 and M2) with respect to real GDP, nominal money supply (both M1 and M2) with respect to price level and nominal GDP with respect price level separately. The research methodology has econometric tools including ADF for unit root test, SIC for long length selection, bivariate Johasen cointegration test for long-run causality where for short-run causality the paper has VEC as well as VAR Granger causality/Block exogeneity wald test with data collected from

1974/75- 2017/18. The test result shows there is bidirectional long-run causality between the real income with respect to both type of money supply in real terms where there is no short-run causation between these variables. The research paper doesn't have evidence of long-run and short-run relationship between board money supply and consumer price level. The paper provide recommendation to have focus on growth of time deposit component of board money supply in long-run for economic growth and control of inflation.

Lao et al. (2017) investigated the effect of monetary policy on the economic development with use of annual time series data from 1989-2016. The research methodology includes unit root test, Johasen cointegration and error correction model for the examination. Variables are stationary at first differences is generated with use of unit root test and for analysis of association Johasen cointegration and error correction model has been employed. The result found that there is negative effect of money supply, interest rate and inflation rate on real GDP per capita in the long run and only exchange rate has a positive sign. The result from error correction model shows the existence of short run causality between money supply, real exchange rate and real GDP per capita.

Dingela&Khobai (2017) assessed the dynamic impact of board money supply on economic growth (GDP) per capita in south Africa with research methodology of time-series data from 1980-2016.The impact analysis has done with use of autoregressive distributed lag (ARDL) bounds testing approach to cointegration and error correction model. The examination shows there is statistically significant positive relationship between money supply and economic growth in both long-run and short-run. The paper recommend that government of south Africa should maintain consistency and follow "the Taylor rule" to allow money supply to increase at a steady rate keeping pace with the economic growth. As per research report, the rule will help south Africa reserve bank to avoid the inefficiencies that caused by execution of discretionary policy.

Gatawa et al (2017) examined money supply and inflation with an objective to measure the impact of money supply, inflation and interest rate on economic growth in Nigeria. The paper has integrated time series data from 1973-2013 and have used VAR model, and Granger Causality test, error correction framework as research methodology. The finding of VEC Model show existence of positive impact of board money supply while inflation and

interest rates have negative impact on growth most in case of long-run. For short-run case, exception of inflation, board money supply and interest rate are negatively related to economic growth. the causality test reveal supply, inflation and interest rate have not influenced growth. The research paper suggests for an expansionary monetary policy, zero interest based finance capable of attracting investment in the real sector of the economy and arresting the inflationary tendency associated with monetary policy.

Hussain and Haque (2017) investigated the inter relation in between monetary variables and GDP with an objective to examine the impact of relationship between money supply and per capita GDP growth rate in Bangladesh with data collected from period 1972-2014. VECM model was used for the examination of impact. The research result suggests the steady Broad money to GDP is associated with GDP growth rate and money supply which are also an important aspect to economic growth for long-run. The paper has recommended government to maintain consistency and follow the Taylor rule in order to allow money supply to increase at a steady rate keeping pace with the economic growth.

Nagel (2016) investigated link between the opportunity cost of money and time varying liquidity premia of near-money assets. The paper used analytical review as research methodology with an objective to study relationship between opportunity cost of money and interest rate. The investigation verified that higher interest rates imply higher opportunity cost of holding money therefore a higher premium for the liquidity service benefits of assets that are close substitutes for money. The research outcome was consistent with theory as short-term interest rates in united states, united kingdom, and Canada have a strong positive relationship with the liquidity premium of treasury bills and other near money assets over period back to 1920s.Therefore, the paper concluded having high elasticity of substitution between money and near-money assets which occur as a consequence a central bank which follows an interest rate operating target not only elastically accommodates and neutralized shock to money demand but effectively also shock to near money asset demand and supply.

Aslam (2016) examined the impact of money supply on Sri Lankan economy with an objective to measure impact for which this study had integrated time series data from the time period of 1959 to 2013. The paper has considered multivariate econometric method as research methodology for the measurement of impact of money supply on the economic

growth. The analytical results show positive impact of money supply on the economic growth. The research paper clarifies there is positive impact of money supply on economic growth.

Akume et al. (2016) studied the monetary factor with an objective to empirically explore the impact of key monetary policy variables on economic growth in the CEMAC zone from the period of 1981 to 2015. The research paper is based on Expost facto research design, vector auto-regression (VAR) analytical technique for the examination. The research paper has explored classical quantity theory of money, the Cambridge cash balanced, the liquidity preference theory and the monetarists as theoretical frameworks to appreciate the time trends of the selected variables. The Vector auto-regression test shows key monetary policy variables influence economic growth in different ways with inflation rate as the impact factor. The research indicates lending and inflation rate generated substantial destabilizing impacts on the economic growth. The paper recommends to focus on creating environment for growth.

Budha (2015) investigated monetary transmission in Nepal based on the data for the period 2002-2015 with an objective to examine the issue of inflation convergence and the monetary independence in relation to current exchange rate peg and the capital flow policy. The research methodology includes SVAR and narrative approach to examine the issue of inflation. The research findings indicates that the existing exchange rate peg has resulted in convergence of the Nepalese price level to the Indian price level in the long-run. The SVAR approach provides evidence of the monetary policy transmission in which the effect of the expansionary monetary policy on the gross domestic product. The paper reveals that the money market liquidity is largely guided by remittance inflow in recent years. The paper suggests to make review of operating procedures and implementation aspects of monetary policy.

Ikechukwu (2012) investigated relationship in between money supply and economic growth with an objective to measure the impact with research methodology of ordinary least squares techniques for year 1981-2010. The research examination reflects of no significant effect of real interest rate and real exchange rate on real gross domestic product, only board money supply has regressor influenced on real gross domestic product for period of 1981-2010. The

paper suggests that effectiveness of influencing real gross domestic product in Nigeria may be promoted by emphasizing on board money supply instead of a monetary target variable because board money supply have significant impact on economic growth.

Khanal (2011) measured the effectiveness of monetary policies with an objective to study presence or absence of effective monetary policies in Nepal. For the examination the research paper has taken data between 1975 and 2008 integrating factors of money supply (nominal side), and real GDP. The classical economics is an effective method for the measurement of effectiveness of monetary policies through inspection of monetary neutrality in the economy which says changes in nominal variables do not have any impact on real variables. As for research methodology the research has used Vector Autoregression Model, Unit root test, Standardized Augmented Dickey Fuller Test, Impulse Response Analysis, Granger Causality test was used. The examination verified an increase in money supply immediately lowers the real GDP in short run in oppose to which have no effect on real GDP in the long run. The research paper state that Nepal Rastra Bank's monetary policies between 1975 and 2008 may have been counter-productive in short-run but they were effective for long-term growth and stability.

Bouda (2011) investigate the money demand function for Nepal with an objective to estimate a theoretically consistent model the money demand function of Nepal for the period of Fiscal year 1997/98 to Fiscal year 2009/10 using annual data. The research methodology includes cointegration test, vector error correction model, OLS method for examination. The cointegration test has shows the existence of long run relationship between the real money balances and determinants output and interest rate where the vector correction model suggests to have short-run relationship between the real money balances and its determinants. Thus, the paper state that practicing monetary policies may have counter-productive for short-run but have efficiencies for long-run and economic growth.

Table 4

Summary of Empirical Review

S.N.	Author(s)	Variables	Methodology	Major Findings
1.	Subedi et al. (2024)	GDP growth rate, inflation rate, exchange state, interest rate, money supply	Descriptive Analysis Inferential analysis	The study concluded that there are significant fluctuations in money supply due to macroeconomic variables like GDP growth, inflation, exchange rate and interest rates.
2.	Tiblola et al. (2024)	Interest Rate, Inflation	Quantitative Approach Multiple Regression	The paper reflects an importance of monetary policy and macroeconomic stability for determination of profitability of manufacturing companies with recommendation to develop more adaptive strategies to deal with fluctuations in monetary policy and macroeconomic conditions.
3.	Assefa (2024)	Real GDP, CPI, Reserve money, commercial bank's average lending, interest	Descriptive tools Econometric Estimation Vector autoregression	The research shows that current structure and development of financial system is problematic for effective monetary

		rate, domestic credit	model	transmission and suggest short and long run strategies to achieve success on monetary policy.
4.	Nurfauzi et al. (2024)	Variable monetary policy, economic stability	Literature review	The research paper concluded that interest rate decisions made by Bank have direct impact on consumption, investment and overall economic stability.
5.	Wu (2024)	Monetary policy, great depression, subprime crisis	Literature review Analytical approach	The study state that within the framework of heightened economic globalization, it underscores the imperative for central banks to implement monetary policy with precision in addressing financial crisis.
6.	Park et at. (2024)	Interest rate, money supply, other monetary variable, supply chain stability	Vector Autoregression Model	The study showed the importance of coordinated policy efforts and suggested to continued focused on interest rate

				management.
7.	Wang et al. (2024)	Government spending, Government revenue, GDP, consumption, investment, interest rate, unemployment	Econometric Models Difference in Difference	The paper stated that the impact of China's economic resurgence beyond the pandemic phase plays an important role in expanding power consumptions in different regions.
8.	Dery (2024)	Real GDP, Value added employment and unemployment rates	Granger causality Analysis, forecasting regression analysis	The research reveals that the narrow divisa money serve as robust predictors of sector specific economic and labor market indicators, often surpassing the predictive capacity of the conventional fed funds rate and slightly out performing broad divisa measures in relation to these indicators.
9.	Challoumis (2023)	Assets deposits per GDP, GDP per capita, global index of cycle of money	Theory of money cycle	The results show that England outperforms the global average. England's economy is one of the best in the world, and it can withstand any economic crisis or depression.
10.	Neupane (2021)	Gross Domestic	Econometric	The research concludes

		product, Board Money Supply, interest rate, exchange rate, government revenue, total government expenditure, export and import	method Vector error correction model Cumulative Sum (CUSUM) Error Correction Term (ECT) Granger Causality Test	that there is existence of long-run relationship of monetary and fiscal policy measures with economic growth in Nepal.
11.	Fabris and Lazic (2022)	Exchange rate, inflation	Empirical Research Econometric Assessment	The study shows the exchange rate represents a statistically significant variable only in the monetary policy reaction function of changing market economies.
12.	Dhungel (2021)	GDP, Board Money Supply, Consumer Price Index, Bank rate	Co-integration Analysis and Vector correction model	The research conduct verifies there is positive and significant effect of Board money supply and Consumer Price Index on GDP. This paper support monetarism money as matter of economic growth.
13.	Rizky et at. (2021)	GDP, interest rate, money supply, electronic money supply	Seemingly unresolved regression	The research results show the estimation result of equation 1 test show that interest rate, money supply and electronic money supply are able to

				explain 30.3% and the remaining 69.7% of Gross domestic product is influenced by other variable outside the estimates in the model.
14.	Saiti et al. (2021)	GDP, Inflation rate	VECM model Granger Causality test Cointegration test	The analysis verified the negative long-term impact of central bank bills interest rates on lending and real GDP in north Macedonia where there is no significant impact for short -run.4
15.	Matres et al (2021)	GDP growth rate, money supply, inflation rate, interest rate, foreign direct investment, government expenditure gross capital formulation, real exchange rate, corruption	Empirical Analysis Quantity theory of money	The assessment verified there is lagged money growth rate is positively correlated with GDP growth rate however, money growth rate is negatively correlated with GDP growth rate.
16.	Acharya (2019)	Money Supply, Board money income, GDP, general price level	Econometric tools ADF Unit root test Cointegration	The research result recommend that Nepal should focus on growth of time deposit for economic growth and

			test VECM method	control of inflation. The study shows there is unidirectional long-run relationship in between narrow money supply and consumer price.
17.	Lao et al (2017)	Money supply, real exchange rate, real GDP per capita	Unit root test Johasen cointegration Error correction model	The examination shows negative impact of money supply, interest rate and inflation rate on real GDP per capita in long-run and only exchange rate has a positive sign. The test of error correction model shows the existence of short run causality between money supply, real exchange rate and real GDP per capita.
18.	Dingela&Khobai (2017)	GDP, Board money supply, Interest rate, inflation rate	Autoregressive distributed lag (ARDL) Bounds testing approach Cointegration and Error correction model	The research examination shows that there is statically significant positive relationship between money supply and economic growth in both long-run and short-run. The paper recommends to follow Taylor rule which will help reserve bank to avoid the inefficiencies

				that caused by execution of discretionary policy.
19.	Gatawa et al (2017)	GDP, Money supply, Inflation, real interest rate	VAR Model, Granger Causality test Error correction test	The VEC model of research clarifies that there is positive impact of board money supply in oppose to that inflation and interest rate have negative impact on growth especially in long run while for short run case it reveals that with the exception of inflation, board money supply and interest rate were negatively related to economic growth.
20.	Hussain and Haque (2017)	Percentage of Board Money to GDP, real interest rate, annual per capital GDP growth rate	VECM Model	The research result suggests that the steady Board money to GDP is associated with GDP growth rate and money supply and also have an important impact on economic growth. The paper also recommend government to maintain consistency and follow the Taylor rule to allow money supply to increase at a steady rate keeping

				pace with the economic growth.
21.	Nagel (2016)	Demand for money, interest rate, assets pricing, board interest rate	Empirical review	The result evidence to have high elasticity of substitution between 0money and near-money assets which occur as a consequence a central bank that follows an interest rate operating target not only elastically accommodates and neutralized shock to money demand but effectively also shock to near money asset demand and supply.
22.	Aslam (2016)	Gross Domestic Product, Money Supply, Exchange rate, Exports, Earnings, Imports outflow, Consumer Price Index	Durbin Watson test Breusch-Godfrey Serial Correlation LM test	The research investigation shows money supply has positive impact on economic growth.
23.	Akume et al (2016)	Money supply, interest rate, inflation, economic growth	Expost facto research design, Vector Auto-regression (VAR) analytical	The research from VAR method result implies that monetary policies variables influence economic growth in

			technique	different ways with inflation rate as an impact factor. The overall result shows lending and inflation rate have impact on the economic growth. Therefore, the paper recommends to focus on creating environment for economic growth.
24.	Boudha (2015)	GDP, CPI, Total revenue, non-borrowed reserve, interbank rate	SVAR approach Narrative Approach	The result reveals money market liquidity is largely guided by the remittance inflow in recent year. The research shows the necessity of reviewing of operating procedures ad the implementation aspects of monetary policy.
25.	Ikechukwu (2012)	Real GDP, Broad money supply, real exchange rate, and real interest rate	Ordinary least square techniques	The research paper indicate there is no significant impact of real interest rate and real exchange rate on real gross domestic product while only board money supply has significant regressor impact on real gross domestic product for period of 1981-2010.

26.	Khanal (2011)	Money supply, Real GDP	Vector autoregression Model Unit root test Standardized Augmented Dickey Fuller Test Impulse Response Analysis Ganger Causality Test	The result verifies that an increase in money supply immediately lowers the real GDP in the short run but have no effect on real GDP in the long run. The paper result stated that Nepal Rastra Bank's monetary policies between 1975 and 2008 may have been counter-productive in the short-run but they were effective for long-run growth and stability of the Nepalese economy.
27.	Budha (2011)	Narrow Money Currency Demand Deposits Board Money M1, time deposits, CPI, Nominal GDP, interest rate, Real GDP	Cointegration Method, Error correction model Dynamic ordinary least square	The result state the practicing of current monetary policy may have counter-productive for short-run meanwhile, it has efficiencies for long run and economic growth.

2.4 Research Gap

The research paper focus on objective of research with methodology and measurement of findings meanwhile, the established relation in between dependent variable and independent variable are major part. The other associated factor may not be emphasized as much which lack their recognition and their impact. The research gap content the question that has not been previously answered in research. The exploration of particular topic may not cover all area which left some of question unanswered. In the analysis of monetary indicator as well, this paper has tries to indicate necessity of monetary indicator evaluation, economic catastrophe and nation's growth. in previous paper, some paper has collided monetary policy with banking performance and some has highlight impact of monetary policy on economic growth. Assefa (2024) has studied variate like real GDP, CPI, reserve money, interest rate to study monetary transmission while Nurfauri et al (2024) has investigated variable monetary policy likewise, Dhungel (2021) has examined GDP, board money supply, consumer price index, bank rate, where Acharya (2019) has studied money supply, Board money income for impact analysis. Dingela et al (2017), Gatawa et al (2017), Hussain and Haque (2017) has analysis the relationship in between money supply and economic growth of different region with focusing on monetary variables and economic growth of region. Akume et al (2016) and Ikechukwu (2012) has also provide perception on impact of monetary policy and variables on economic growth. This study has focused on relationship in between monetary variables and economic growth in nation and make measurement of impact however, the definition of necessity of such study is necessary which lack is in previous study. This study has measured the level of impact and also how nation can manage finance during economic catastrophe with sort of measure that financially can be taken. The level of available money supply, board money and board money liquidity are necessity to study. The economic sector needs to be study, investigate and evaluate with economic and monetary variable. The previous study lacks the reason of necessity of evaluation of economy while, this paper tries to verify the reason to study economic catastrophe, monetary evaluation and its necessity.

CHAPTER III

RESEARCH METHODOLOGY

The structural way defined by researcher to conduct the research is called Research Methodology. It is defined as systematic procedure used for identification, selection, and examination of the variables or data with its interpretation. This section of Research Methodology defines the tools, techniques, methods to examine the collected data to get result. In research, quantitative research method, Qualitative research method, mixed-method research, experimental research and case study research are popular methodology. This section describes techniques, procedure that ate used to identify and analyze information regarding a specific research topic. This section carries the analysis and method to be used in next chapter of data interpretation for research.

3.1 Research Design

The overall plan to define the research strategy including structural framework to conduct the research is Research design. In Simple term, it is a framework design. In simple term, it is a framework for the research plan of action. It can be also defined as blueprint of research showing way of data collection, measurement and its interpretation. In research, Researcher chooses research design in order to give analytical description of result through combination of different components to reach research objective. In research, Descriptive, Correlational, Casual-comparative/Quasi-experimental and experimental research is major research design. While conducting research, research design should be taken according to the research variables and objectives.

The research design for this particular topic is descriptive and casual comparative to examine the monetary status affecting economylevel of Nepal.

3.2 Population and Sampling

Population refers to whole/entire set of data related to the research. Pool of data from where sample are drawn is the population. For this study, Purposive sampling method has been

used. In world there are 195 countries where, for monetary evaluation Nepal is taken as sample.

3.3 Data Analysis

The study used the descriptive statistics evaluating mean and standard deviation with correlation coefficient analysis and regression analysis.

3.3.1 Mean

Mean is the calculation of Central tendency of a probability distribution along Median and Mode. It is also called expected Value. In general language, it is average number calculated by dividing sum of total number by total number of numbers. In research, to calculate mean, all population data are summed up and divided by total number. The calculation of mean can be done as;

$$Mean\ (\bar{x}) = \frac{\sum x}{n}$$

Where,

$\bar{x}$ = mean of the values

$\sum x$ = summation of value

n = no. of observations

3.3.2 Standard Deviation

Standard Deviation is measurement of discernment of data in relation to the mean. Standard Deviation is likely the average deviation of the whole sample from the mean. It is root mean square of the deviation defining deviation of single number from the mean. The formula for standard deviation is the square root of the sum of squared differences from the mean divided by the size of the data set. The calculating formula can be given as:

$$S.D. = \sqrt{\frac{(x - \bar{x})^2}{N}}$$

Where,

N= number of items in the series

$\bar{x}$= mean

x = variable

3.3.3 Correlation

The statistical measurement which expresses the extent to which two variables are linearly related (changing at a constant rate). This is tool used for describing simple relationship in between two variables without making a statement making a statement about cause and effect. Correlations are tested among variables to define statistical significance. The correlation coefficient usually represented with symbol r, ranging from -1 to +1. Correlation close to plus +1 express positive relationship where correlation close to -1 express negative relationship. In positive correlation, change in variables is in same direction. With positive changes in one variable cause positive change in another variable. In Negative correlation, positive change in one variable brings negative change in another variable. It measures degree of relation in between independent and dependent variables for all sample. The calculating formula can be given as;

$$Correlation\ Coefficient\ (r) = \frac{n\sum xy - \sum x\ \sum y}{\sqrt{n\sum x - (\sum x)^2}\sqrt{n\sum y - (\sum y)^2}}$$

Where,

N= Quantity of Information

$\sum x$= Total of First Variable Value.

$\sum y$= Total of Second Variable Value.

$\sum xy$ = Sum of the Product of first and second Value.

$\sum x^2$= Sum of the Squares of the First Value.

$\sum y^2$= Sum of the Squares of the Second Value.

3.3.4 Regression Analysis

Regression analysis concerned with the study of the dependence of one variable, dependent variable, on one or more other variables, the independent variable with a view to estimating the average value of the dependent variable from the known values of the independent variable. Simple regression analysis and multiple regression analysis are two types of regression analysis.

The calculating formula of regression analysis is given as:

$$b = \frac{n\sum XY - \sum X \sum Y}{n\sum X^2 - (\sum X)^2}$$

Where,

N= Quantity of Information

$\sum x$= Total of First Variable Value.

$\sum y$= Total of Second Variable Value.

$\sum xy$ = Sum of the Product of first and second Value.

$\sum x^2$= Sum of the Squares of the First Value.

$\sum y^2$= Sum of the Squares of the Second Value.

3.4Nature and Sources of Data

The objective of this research paper is to evaluate monetary effect on the economic level of the nation. For conducting evaluation secondary data has been used collected from current macroeconomic situation report of Nepal Rastra bank. This paper had included data from period 2012- 2022 (11 years of data).

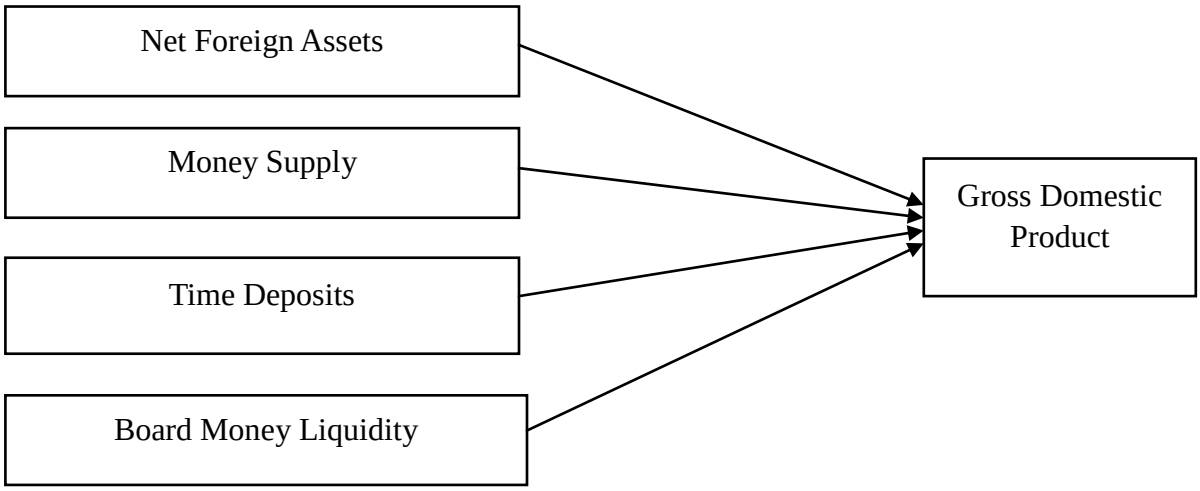
3.5 Research Framework and Definition of Variables

The conceptual model which describes the map way for researcher to conduct research on the particular topic with associated variable is Research Framework. This framework helps to create relationships in between dependent and independent variable. The logical way management of variables in order tocreate hypothesis to verify given condition are defined by Research framework.

This research paper considers different variable of monetary term examining net fixed assets, money supply, time deposits and broad money liquidity as independent variables and Gross Domestic Product (GDP) as dependent variable. The conceptual framework can be illustrated as below:

Figure 1

Conceptual Framework



(Source: Subedi et al.,2024; Park et at.,2024; Neupane,2021; Dhungel,2021; Rizky et at.,2021; Matres et at.,2021; Acharya,2019; Budha,2011)

Figure 1: Conceptual Framework

3.5.1 Gross Domestic Product

GDP is indicator of economic and its level defining variable. Gross Domestic Product shows the economic performance. The financial performance does make impact on economic level. The increase in GDP makes increase in economic level. As it is defined, it is measurement of monetary value of final goods and services that are produced in a nation at given period of time. As GDP growth is mainly influenced by labor productivity and total hours worked by labor workforce of country, the person involved in banking sector also makes effect on GDP. The growth in GDP is necessary to make economic enhancement. Gross Domestic Product is indication to economic level. The strongest economic nation has highest GDP ensuring their currency rate higher in comparison to other's nation. The conversion ratio is depended upon exchange rate in international way where, the exchange rate is depended on nation's currency

and economic strongness. The inflation, exchange rate and economic sustainability is depended on GDP growth in nation. The Paper has emphasized GDP on based to data collected from Nepal Rastra Bank and has shown the current scenario of economy of Nepal.

3.5.2 Monetary Survey

Nepal Rastra bank as central bank of Nation analyzes these terms each year to view monetary position where data are based on residence basis following the Monetary and Financial Manual, IMF 2016. Each year monetary survey is conduct to analyzed monetary position from different monetary aspects. These monetary terms have significant effect on economy of Nation as each assets carries different monetary value and meaning It is the integration of overall monetary and financial status of Nation. Monetary survey consists of Net Foreign Assets, Foreign Liabilities, Net Domestic Assets consisting domestic credit, non-monetary liabilities, Board Money (M2) including money supply and time deposits, Board money liquidity (M3). It focuses on how much Net assets position Nation's hold, credit position and monetary position with liquidity position of Nation which has significance importance to formulate monetary policy and investment. The Board money (M2) has element of money supply (M1+) which can be further classified as money supply (M1): currency and demand deposits and saving and call deposits, with other element called time deposits which provides clarity of liquidity position in existing economy that helps to controlled inflation. Inflation has direct impact on economy of nation. With monetary survey, information can be collected regarding monetary indicators implying changes directives of monetary policy helping control inflation. Monetary survey holds an importance in economic sector as it gives information regarding credit availability and level of investment that can be provided to prime sector: agriculture, industry and service sector to grow as well, it provides data regarding reserve helping Nepal Rastra Bank to formulate interest rates. Monetary survey assesses the trend of deposits, loan and non-performing assets which is important to ensure banking stability and effectiveness.

3.5.2.1 Net Foreign Assets

Net foreign assets are sum of total foreign assets held by monetary authorities and deposit money banks less their foreign liabilities. Foreign liabilities include deposits and other

liabilities. Net foreign assets are influenced by exchange rate level. Net foreign assets reflect the change in its current account which is the sum of the balance of trade, net income over time and net current transfer over time. The higher level of Net Foreign Assets increases liquidity amount assisting Nepal Rastra Bank to implement monetary policy effectively in order to stabilize inflation with ensuring growth of Nation's economy. Net Foreign Assets is an important component contributing to Nation's money supply helps maintain peg as it provides foreign currency reserves needed for international in foreign exchange market. This process helps nation to absorb external shocks while maintaining stable value of Nepalese Rupee (NPR) against major currencies. Net Foreign Assets held by Nation help Nation during catastrophe along with implementation of investment plan to eliminate chance of catastrophe. An adequate Net Foreign Assets position assure Nation to maintain economic stability through providing investment fund.

3.5.2.2 Broad Money (M2)

It is defined as a category which is used for measuring the amount of money circulating in the economy. Broad money method is also known as most inclusive method as it includes country's money supply and narrow money along with other assets which are easily convertible into cash. It has elements of time deposits and money supply (M1+) which is further classified as currency and demand deposits, saving and call deposits. It is comprehensive measurement of the money supply in the economy as it captures circulation of currency with demand deposits of public. The currency as component of money supply (M1) is currency in circulation which is amount of cash held by public outside banks. The second element is demanding deposits with feature of immediate withdrawal. Saving and call deposits are fund deposits with saving purposes. Time deposits have featured that fund can only be withdrawn after specific period of time. Board Money reflects overall liquidity position in economy. High level of Board Money (M2) indicates adequate level of capital for investment in nation.

3.5.2.3 Broad Money Liquidity (M3)

Liquidity refers to the level of efficiency or ease with which an asset or security can be converted into ready cash without affecting its value. Broad money liquidity consist assets

hold which are easily converted to cash. It is measurement of how easily the elements of board money consisting saving and time deposits which can be converted into cash in order to meet economy's immediate financial needs. Higher liquidity position ensures quick conversion of assets into cash. The board money liquidity has direct impact on purchasing power of consumer. Higher level of liquidity may lead to increase in expenditure, causing inflation where, controlled liquidity maintain inflation. With maintaining good liquidity levels, Nepal Rastra Bank can control over inflation with interest rate adjustment or open market adjustments. The major importance of evaluating liquidity is it reflect liquidity of nation and in case of low, Nepal Rastra Bank may inject liquidity with reduction of reserve or cutting interest rates. Thus, Board money liquidity helps on channelization of funds in market influencing inflation.

CHAPTER IV

RESULTS AND DISCUSSION

In this chapter, data presentation and result are analyzed with their affect measurement through the point of dependent and independent variable. The result is explained and verified through the analysis with conclusion drawn. The interpretation is written with based on data calculation collected from secondary sources and conclusion are drawn to show level of impact. Data are presented in first part of this chapter and then calculation are done with Statistical Package for the social science). This chapter focus on data verifying the objective of research and provides valuable insight regarding research with result and discussion. The major findings in paper included in this chapter highlighting result produced.

4.1 Data Presentation

In this research paper, secondary data has been used to explain and analyzed which are collected from Nepal Rastra Bank report of current macroeconomic situation. These collected data are classified to dependent and independent variables for the study purpose.

4.1.1 Nepalese Economy

Nepalese economy is based on the Agricultural sector of the Nation however, in the recent scenario service sector are increasing and the contribution towards the increment of Gross Domestic Product (GDP) can be analyzed. As per the Nepal Rastra Bank, current macroeconomic and Financial Situation of Nepal, based on annual data of 2022/23, the share of agriculture, industry and service sectors in Gross Domest5ic Product are 24.12 percent, 13.45 percent and 62.43 percent respectively. The major factor of Nepalese economy can be surveyed as follows:

Table 5

Nepalese Economy Indicator Analysis

Fiscal Year	GDP	AGRCG	INDCG	SCG	Trade Deficit
2022	4,212,145	1,039,073	593,515	2,579,557	-1,720,417.40
2021	3,714,933	911,916	501,407	2,249,174	-1,398,713.00
2020	3,428,524	925,787	441,392	2,086,961	-1,099,089.90
2019	3,342,481	838,961	459,870	1,750,629	-1,321,425.80
2018	3,011,022	766,620	407,714	1,557,551	-1,163,743.40
2017	2,720,563	696,439	354,017	1,363,575	-917,064.10
2016	2,341,402	655,571	293,410	1,122,936	-703,482.00
2015	2,186,608	623,567	291,765	1,046,695	-689,365.10

Source: (Nepal Rastra Bank, Macroeconomic and Financial Situation in Nepal)

Table 5 shows current scenario of Nepalese economy and level of contribution from Agriculture, Industry and service for the Gross Domestic Product growth. The table provides data regarding Gross Domestic Product, Agricultural Contribution to Gross Domestic Product. The prime factor influencing economic growth and sustainability are Agriculture, Industry, Service and Trade. In case of Nepal, except of service other factor's performance are not in higher level as expected. The growth in Gross Domestic Product from year 2013 B.S to 2022 B.S shows better economic indicator. The agriculture contribution and its share to Gross Domestic Product is in increasing trend however, despite of being agriculturally based Nation, the expected outcome has not yet reached. In same way, low level contribution from Industry in compare to service clearly verify of not having own production. The growing service contribution has reason of remittance. The remittance inflow has become one of key source of finance to Nation. The trade deficit and its incremental trend is key evidence to verify Nation is going to face economic catastrophe near future. The trade analysis clearly shows outflow of Nation's currency making scarcity of fund to invest. The lower production of agriculture and especially shut down of industry, increasing inflation lead skilled, unskilled, educated, uneducated all type of worker to seek foreign opportunity to sustain. The vicious cycle has been created in Nation. Without human resources no industry can be operated, and without industrialization no human resources can be hold. The

remittance inflow has positive influence on Nation in current scenario as it brings currency but in order to do so, Nation has to lose skilled manpower. The question is how many does remittances can served to Nation, 100 years or 200 years. The supply of skilled manpower, no production, and higher trade deficit reflects current economy scenario of Nepal.

4.1.2 Monetary evaluation

Monetary evaluation is an important aspect which provide investment decisions and improve allocation of available resources for formulating an effective monetary policy and implementation. It is associated with evaluation of financial value of projects, programs and policies for both public and private sectors. Monetary evaluation help foster economic development goals with providing crucial ideology based to monetary indicators. Monetary evaluation provides opportunity to grab foreign aid and investment project with assessment of public infrastructure like roads, hydropower, and healthcare facilities. Monetary evaluation is important for developing sustainable development goals, proper allocation of available resources, for transparency and accountability and risk minimization. Monetary evaluation can be done through Monetary Survey.

4.1.2.1 Monetary Survey

Monetary survey is statistical data analysis for monetary assets including Net foreign assets, domestic assets, board money (M2) and board money liquidity(M3) of nation. Monetary survey is essential to know about assets held by nation. Monetary survey is conducted annually by Nepal Rastra Bank as central bank of the nation. Monetary survey is an important aspect to analyze market liquidity, credit available and resource to investment. Monetary survey provides valuable information to control inflation through interest rate. Monetary survey is one of important report that show strength of nation. Monetary survey of Nepal Rastra Bank is prepared based on residence basis following monetary and financial statistics manual, IMF 2016. The monetary survey report is tabulated as:

Table 6

Monetary Survey (Rs in million)

Fiscal year	NFA	NDA	BOM	BML
2022	1,151,335.50	4,393,037.20	5,544,372.70	5,602,501.50
2021	1,335,620.10	3,819,233.10	5,154,853.20	5,246,647.70
2020	1,328,349.00	2,902,620.70	4,230,969.80	4,337,663.00
2019	984,783.10	2,597,354.50	3,582,137.70	3,666,627.90
2018	1,054,291.70	2,040,174.90	3,094,466.60	3,171,644.90
2017	1,014,634.90	1,577,067.10	2,591,702.00	2,682,041.60
2016	955,980.90	1,288,597.70	2,244,578.60	2,353,962.00
2015	747,287.40	1,130,514.10	1,877,801.50	1,972,197.20
2014	599,219.70	966,747.40	1,565,967.20	1,646,019.80
2013	468,238.00	847,138.30	1,315,376.30	1,389,708.60
2012	383,772.10	746,530.20	1,130,302.30	1,190,767.90
2011	221,265.50	700,054.60	921,320.10	973,656.60

(Source: Nepal Rastra Bank, Current Macroeconomic and Financial Situation, Monetary Survey)

Table 6 shows data of monetary survey conducted by Nepal Rastra Bank based on International Monetary Fund statistics. The tabulated information shows increasing trend of Net Domestic Assets, Board Money and Board Money Liquidity from year 2011 B.S to 2022 B.S. Net Foreign Assets seem to decline in year 2022 in comparison to 2021 B.S. The Net Foreign Assets reflects foreign assets held by Nation and its incremental aspect it positive sign for economic growth as it allows to have further investment. The survey reflects there is increasing tendency in assets value, board money and board money liquidity clarifying having adequate resources to invest and expand business. The Net Domestic Asserts was Rs. 221,265 million in year 2011, after 11 years it has reached Rs 1,151,335.50 million.

4.1.2.2 Net Foreign Assets

Net Foreign Assets are the total sum of foreign assets held by monetary authorities and deposit money of banks less their foreign liabilities. Data are presented in current local

currency. It determined the whether a nation is a creditor or debtor with measurement of difference in external assets and liabilities. It refers to value of foreign assets owned by a nation minus the value of its domestic assets that are owned by foreigners adjusted for changes in valuation and exchanges rates. A nation's NFA position is also defined as the cumulative change in its current account, which is the sum of the balance of trade net income over time, and net current transfer over time (Ganti, 2021). World Bank state NFA as sum of foreign assets held by monetary authorities and deposit money banks. NFA make impact on economy of nation as it is impacted by valuation and exchange rate while higher exchange rate is only possible with strong economy.

The Net Foreign Assets position in Nepal for period of 2012-22 as per NRB report is presented as:

Table 7

Net Foreign Assets Analysis (Rs in million)

Year	Foreign Assets (A)	Foreign Liabilities (B=I + II)	Deposits (I)	Other (II)	Net Foreign Assets (A-B)
2022	1304086.80	152751.30	58128.70	94622.60	1151335.50
2021	1453294.90	117674.80	91794.60	25880.20	1335620.10
2020	1449927.60	121578.60	106693.20	14885.30	1328349.00
2019	1073526.60	88743.40	84490.30	4253.20	984783.10
2018	1133295.20	79003.50	77178.30	1825.20	1054291.70
2017	1107823.50	93188.60	90339.60	2849.00	1014634.90
2016	1069789.50	113808.70	109383.40	4425.20	955980.90
2015	847679.00	100391.60	94395.60	5996.00	747287.40
2014	686759.00	87539.30	80052.70	7486.60	599219.70
2013	554093.50	85855.60	74332.30	11523.20	468238.00
2012	455976.80	72204.70	60465.60	11739.10	383772.10

(Source: Nepal Rastra Bank, Current Macroeconomic and Financial Situation, Monetary Survey)

Table 7 shows the evaluation on Net Foreign Assets including foreign assets and foreign liabilities. The net foreign assets are calculated by resulting difference between foreign assets

and foreign liabilities. Foreign liabilities further composite deposits and other element as components. The foreign assets are in incremental trend except for year 2012 stand as Rs 72,204.10 million and for year 2022, it was Rs. 152,751.30 million showing increasing pattern, Assets shows financial position reflecting available sources of finance for investment where liabilities are obligation of pay. Net foreign assets except for year 2022 is in increasing trend ensuring to have adequate resource to make additional investment. The Net foreign assets stand as Rs. 383,772.10 million in year 2012 where, at year 2022, it stands as Rs. 1,151, 335.50 million verifying to have adequate assets. The Gross Foreign assets of banking sector are tabulated below;

Table 8

Gross Foreign Assets of Banking Sector (Rs in million)

Particulars	2022	2021	2020	2019	2018	2017	2016	2015
A. Nepal Rastra Bank	1,114,679.30	1,298,903.20	1,274,213.70	937,051.60	1,020,106.30	955,657.70	917,630.90	726,683.90
B. Bank and Financial Institutions	159,407.50	154,391.70	175,713.90	136,474.90	113,188.90	152.165.80	152,158.60	120,995.10
C. Gross Foreign Exchange Reserve	1,215,802.20	1,399,025.30	1,401,836.30	1,038,918.90	1,102,585.20	1,079,432.10	1,039,169.40	824,056.00
D. Gross Foreign Assets	1,304,086.80	1,453,294.90	1,449,927.60	1,073,526.60	1,133,295.20	1,107,823.50	1,069,789.50	847,679.00
E. Foreign Liabilities	152,751.30	117,674.80	121,578.60	88,743.40	79,003.50	93,188.60	113,808.70	100,391.60
F. NFA (D-E)	1,151,335.50	1,335,620.10	1,328,349.00	984,783.10	1,054,291.70	1,014,634.90	955,980.90	747,287.40
G. Change in NFA	220,360.20	-7,271.00	-343,565.90	69,508.60	-39,656.80	-58,654.00	-208,693.50	-148,067.7
H. Exchange Valuation	32,002.60	6,044.30	61,156.40	-2,108.10	38,696.60	-23,452.10	19,781.40	3,031.70
I. Change in NFA (G+H)	252,362.80	-1,226.70	-282,409.50	67,400.50	-960.20	-82,106.10	-188,912.30	-145,036.0

(Source: Nepal Rastra Bank, Current Macroeconomic and Financial Situation, Monetary Survey)

Table 8 shows Gross foreign assets of banking sector of Nepal. It has presented data of Nepal Rastra Bank, Bank and Financial Institutions, Gross Foreign Exchange Reserve, Gross Foreign Assets, Foreign Liabilities of Nepal. The "Gross" indicates value of assets measured before any deductions, like of liabilities or obligations; Gross Foreign Assets is an important

aspect in Nation as it ensures investment, development project and fund mobilization through fund circulation. The data presented data show except for year 2022 has incremental growth in Gross Foreign Assets held by Nepal Rastra Bank. The value of Gross Foreign Assets for year 2015 was Rs. 726,683.90 million, for year 2021 it was Rs 1,298,903.20 million and for year 2024, it stands as Rs. 1,114,679.30 million. In case of Bank and Financial Institutions, the Gross Foreign Assets has increased to Rs 175,713.90 in year 2020 from Rs. 120,995.10 in year 2015 however, it was declined to Rs. 159,407.50 million in year 2022. Gross Foreign Exchange Reserve is also in incremental trend for year 2015 to year 2020. For year 2015, it stands at Rs. 824,056 million and for year 2020 it was 1,401,836.30 million. There is declination in Gross Foreign Exchange Reserve for year 2021, and year 2022. The Gross Foreign Exchange Reserve stand as Rs. 1,399,025.30 million for year 2021 and for year 2022, reserve stand as Rs. 1,215,802.20 million. Similarly, Gross Foreign Assets has incremental trend from year 2015 to year 2021 and has declined in year 2022 likewise, Foreign Liabilities has incremental trend from year 2015 to year 2020 and has declined in year 2021 which again increased to Rs. 152,751.30 million in year 2022. This result in Net Foreign Assets which is Foreign Assets minus Foreign Liabilities. It also has increasing trend from year 2015 to year 2021 and has declined in year 2022. The change in Net Foreign Assets is summation of change in Net Foreign Assets and Exchange Valuation.

Table 9

Gross Foreign Assets of the Banking Sector in USD (Rs in million)

Particulars	2022	2021	2020	2019	2018	2017	2016	2015
A. Nepal Rastra Bank	8,956.10	10,911.50	10,585.80	8,568.50	9,329.70	9,290.90	8,597.70	7,184.90
B. Bank and Financial Institutions	1,247.20	1,297.00	1,459.80	1,247.90	1,035.20	1,479.30	1,425.60	1,196.30
C. Gross Foreign Exchange Reserve	9,512.60	11,752.60	11,646.10	9,500.00	10,084.00	10,494.20	9,736.40	8,147.70
D. Gross Foreign Assets	10,203.30	12,208.50	12,045.60	9,816.40	10,364.90	10,770.20	10,023.30	8,381.20
E. Foreign Liabilities	1,195.10	988.50	1,010.00	811.50	722.50	906.00	1,066.30	922.60
F. Net Foreign Assets (D-E)	9,008.20	11,219.90	11,035.50	9,005.00	9,642.30	9,864.20	8,957.00	7,388.60
G. Change in NFA (before adj.ex.val.)	1,724.10	-61.60	-2,854.20	635.60	-362.70	-570.20	-1,955.30	-1,464.0
H. Exchange Valuation	250.40	50.80	508.10	-19.30	353.90	-228.00	185.30	30.00
I. Change in NFA	1,974.50	-10.30	-2,346.20	616.30	-8.80	-798.20	-1,770.00	-1,434.0

(Source: Nepal Rastra Bank, Current Macroeconomic and Financial Situation, Monetary Survey)

Table 9 shows the Gross Foreign Assets of the Banking sector in USD Dollar. The data reflects incremental value in assets held by Nepal Rastra Bank from year 2015 to year 2021 but there is declination in year 2022. The Gross Foreign Assets of Nepal Rastra Bank at year 2021 is 10,911.50 USD where at year 2022, it stands as Rs. 8,956.10 USD. Likewise, the Foreign Assets of Bank and Financial institutions is also in incremental trend from year 2015 to year 2021 which has declined in year 2022. The value of assets for year 2021 was Rs. 1297 USD which declined to RS. 1,247.20 USD in year 2022.Gross Foreign Exchange

reserve was also increased till year 2021 from year 2015 but has declined in year 2022. The value of reserve at year 2021 was Rs. 11,752.60 USD and for year 2022, it stood as Rs. 9,512.60 USD. The Gross Foreign Assets was also increasing till year 2021 from year 2015 but declined in year 2022. The value of Gross Foreign Assets was of Rs. 12,208.50 USD in year 2021 and was declined to Rs. 10,203.30 USD in year 2022. The data of foreign liabilities shows declination in year 2022 where from year 2015 to year 2021, it was also in upward trend. The value of assets and liabilities defined Net Foreign Assets. The change in Net Foreign Assets is summation of change in Net Foreign Assets and Exchange Valuation.

4.1.2.3 Net Domestic Assets

Net Domestic Assets is total value of assets owned by domestic financial institutions within nations. The Net Domestic Assets includes domestic credit and Net non-monetary liabilities. Net domestic assets are an important aspect of monetary evaluation as this reflect banking financial position. The Net Domestic Assets can be further classified as follows:

1. Domestic Credit
    a. Net Claims on Government
        i. Claims on Government
        ii. General Government Deposits
    b. Claims on Non-Financial Government Enterprises
    c. Claims on Other Financial Institutions
    i. Government
        ii. non-government
    d. Claims on Private Sector
2. Net Non-monetary Liabilities

The data for Net domestic assets can be presented as follows:

Table 10

Net Domestic Assets Analysis (Rs in million)

Fiscal Year	Domestic Credit (1)	Net Non-Monetary Liabilities (2)	Net Domestic Assets (A = 1-2)
2022	5,674,954.30	1,281,917.10	4,393,037.20
2021	4,955,476.50	1,136,243.40	3,819,233.10
2020	3,897,627.90	995,007.10	2,902,620.70
2019	3,338,509.80	741,155.30	2,597,354.50
2018	2,755,893.00	715,718.10	2,040,174.90
2017	2,177,792.00	600,724.90	1,577,067.10
2016	1,805,736.00	517,138.30	1,288,597.70
2015	1,527,345.60	396,831.50	1,130,514.10
2014	1,314,305.00	347,557.50	966,747.40
2013	1,165,866.30	318,728.00	847,138.30
2012	994,691.50	248,161.30	746.530.20
2011	910,224.90	921,320.10	700,054.60

(Source: Nepal Rastra Bank, Current Macroeconomic and Financial Situation, Monetary Survey)

Table 10 shows Net Domestic Assets with elements of Domestic credit, Net non-monetary liabilities and Net Domestic Assets. The Net Domestic Assets is calculated as Domestic Assets minus Net Non-monetary liabilities. The Domestic credit has increased to Rs. 5,674,954 million in year 2022 from Rs. 910,224.90 million in year 2021 and have upward trending. Net non-monetary liabilities have increased to Rs. 1,136,243.40 million in year 2021 from Rs. 921.320.10 million in year 2011 with positive growth each year however, declined to Rs. 1,281,971.10 million in year 2022. The Net Domestic Assets has reached Rs. 4,393,037.20 million in year 2022 from Rs. 700,054.60 million in year 2011 with positive growth in each year.

The domestic credit further elements are presented as follows:

Table 11

Domestic Credit Analysis (Rs in million)

Fiscal Year	Domestic Credit (A= 1+2+3+4)	Net claims on Government (1)	Claims on Non-Financial Government Enterprises (2)	Claims on other Financial Institutions (3)	Claims on private sector (4)
2022	5,674,954.30	747,170.70	3,783.90	235,000.70	4,688,998.90
2021	4,955,476.50	588,866.20	7,512.60	219,542.30	4,139,555.40
2020	3,897,627.90	461,404.10	8,702.60	150,629.20	3,276,892.00
2019	3,338,509.80	375,545.80	9,693.10	42,994.90	2,910,275.90
2018	2,755,893.00	272,630.30	10,034.30	30,444.40	2,442,784.00
2017	2,177,792.00	149,489.00	9,225.90	21,917.10	1,997,160.00
2016	1,805,736.00	87,759.40	8,227.00	17,443.60	1,692,306.10
2015	1,527,345.60	127,211.40	10,100.80	16,088.60	1,373,944.90
2014	1,314,305.00	141,989.50	10,417.30	11,073.50	347,557.50
2013	1,165,866.30	167,788.30	11,389.10	13,662.80	973,026.10
2012	994,691.50	162,882.10	10,099.40	11,884.20	809,825.80
2011	910,224.90	163,439.40	6,376.40	13,086.70	727,322.40

(Source: Nepal Rastra Bank, Current Macroeconomic and Financial Situation, Monetary Survey)

Table 11 shows the domestic credit scenario of data consisting Net claims on government, claims on non-financial government enterprises, claims on other financial institutions, claims on private sector. The positive growth in each year can be seen in case of domestic credit from year 2015 to year 2022. Similarly, Net claims on Government claims on other financial institutions, claims on private sector also have positive growth tendency.

4.1.2.4 Board Money

Board money consisting of money supply and time deposit is most flexible method for measuring on economy's money supply, accounting for cash and other assets easily convertible into currency. Central banks if nation always analyze board money growth in order to forecast inflation. Board money is broadest measure, encompassing narrow money (Such as certificates of deposit, foreign currencies, money market accounts, marketable securities, treasury bills, and anything else that can be easily converted into cash. Economy researcher has found the close links between money supply, inflation, and interest rates. In order to stimulate the economy, central banks such as Federal Reserve use lower interest rate to increase the money supply. In opposite to that, in an inflationary setting, interest rates are raised and the money supply diminishes, leading to lower prices.

In economy, Board money is one of measures the central banker use to find out interventions, if any that could introduce to influence that could introduce to influence the economy. The benefit of board money is, in case of available of more money, economy tends to accelerate because business, investor has easy access to financing, in case to less money in system, economy slows and prices may drop or stall. The Board money include component of money supply consisting currency, demand deposits, saving and call deposits along with time deposits.

The data of Board Money of Nepal is presented below as per Nepal Rastra Bank report are as below:

Table 12

Board Money Analysis *(Rs in million)*

Year	Money Supply ,M1+(A=a+b)	Money supply, M1 (a= i+ii)	Currency (i)	Demand Deposits (ii)	Saving and Call deposits (b)	Time Deposits (B)	Board Money (M2 = A+B)
2022	2674292.50	953853.90	505902.90	447951.00	1720438.50	2870080.30	5544372.70
2021	2964265.40	1049410.20	571971.80	477438.40	1914855.20	2190587.80	5154853.20
2020	2368304.50	856260.80	490396.40	365864.40	1512043.70	1862665.20	4230969.80
2019	2093758.40	726642.80	423204.30	303438.40	1367115.60	1488379.30	3582137.70
2018	1878960.20	669395.00	415985.40	253409.50	1209565.30	1215506.40	3094466.60
2017	1623172.50	569402.40	361745.90	207656.40	1053770.10	968529.50	2591702.00
2016	1634481.70	503287.10	327482.70	175804.40	1131194.60	610096.80	2244578.60
2015	1376048.60	424744.60	270080.40	154664.20	951303.90	501753.00	1877801.50
2014	1130173.70	354830.00	227537.40	127292.60	775343.70	435793.50	1565967.20
2013	925469.10	301590.20	195874.20	205715.90	623878.90	389907.10	1315376.30
2012	789269.30	263705.70	170491.70	93214.00	525563.60	341033.00	1130302.30

(Source: Nepal Rastra Bank, Current Macroeconomic and Financial Situation, Monetary Survey)

Table 12 shows picturized scenario of available money in Nation with composition of Money Supply (M1), Currency, Demand Deposits, Saving and Call Deposits, Time Deposits and Board Money (M2). The money supply is summation of currency and demand deposits where, money supply is summation of money supply and saving and call deposits where, Board money is summation of money supply and time deposits. The table shows annual incremental in Board Money from year 2012 to year 2022. It was of Rs. 1,130,302.30 million for year 2012 where, it stands as Rs. 5,544,372.00 million for year 2022. The money supply does have increasing flow for year 2012 to year 2021 and it was declined to Rs. 2674292.50 million in year 2022 which was of Rs. 2964265.40 million in year 2021. The currency and demand deposits also have positive tendency for year 2012 to year 2021 but has declined in year 2022 which result declination in money supply for same year.

4.1.2.5 Board Money Liquidity

Board Money Liquidity refers to collective assets and has features of quick conversion to the cash. Liquidity means how easily assets can be converted into cash without any changes in their value. It reflects the liquidity aspects of available assets.

The data on Board money liquidity as per Nepal Rastra Bank report are as follow:

Table 13

Board Money Liquidity *(Rs in million)*

Year	BML(M3)
2022	5602501.50
2021	5246647.70
2020	4337663.00
2019	3666627.90
2018	3171644.90
2017	2682041.60
2016	2353962.00
2015	1972197.20
2014	1646019.80
2013	1389708.60
2012	1190767.90

(Source: Nepal Rastra Bank, Current Macroeconomic and Financial Situation, Monetary Survey)

Table 13 shows the Board Money liquidity for the period of year 2012 to year 2022. There is incremental upward growth in level of liquidity providing better opportunity to investment. The quick conversion of assets into immediate cash is measure as liquidity of money. The level of board money liquidity was of Rs. 1,190,767.90 million in year 2012 where at year 2022, it has reached to Rs. 5,602,501.50 million increasing from Rs. 5,246,647.70 at year 2021.

4.1.2.6 Inflation

The change in price with rise in its level is Inflation which has direct impact on economy. Inflation has direct impact on economy. Inflation is mainly caused by demand and supply chain relation; in case of demands for goods and services exceeds supply, increase in cost of production, raise in wages and prices. Higher inflation makes negative effect on purchasing power, growth in inflation cause lower in purchasing power, declination in saving. Inflation makes lower in purchasing power of people which makes them search for foreign opportunities in order to make sustain with market and livelihoods. Inflation cause declination in purchasing power, higher in living cost, declination of savings, encouragement for investment, higher interest rates, cheaper debt and income inequality and price volatility.

Table 14

Inflation Rate Analysis

Fiscal Year	Inflation Rate
2023	7.74
2022	6.32
2021	3.60
2020	6.15
2019	4.60

(Source: Nepal Rastra Bank, Current Macroeconomic and Financial Situation, Monetary Survey)

Table 14 shows prevailing inflation rate of Nepal. The data reflects has increased in comparison to other year and has reached to 7.74 at year 2023, increasing from 6.32 of year 2022. For year 2019, it was of 4.60 which increased to 6.15 at year 2020, and declined to 3.60 at year 2021.

4.1.2.7 Exchange Rate

The exchange rate in conversion rate of one currency to relative to another and this rate has higher influence on the economy of Nation. Interest Rates, economic level of nation, political condition, balance of trade, market scenario effect exchange rate. Exchange rate has affected on economy as level of exchange rate show strength of nation through its conversion rate. Floating exchange rate, fixed exchange rate are type of exchange rate. Higher exchange rate

provides facilitation to have expensive export and import cheaper making balance in trade and weaker exchange rate make reverse situation. The Exchange rate has been highlighted as below;

Table 15

Exchange Rate Analysis

Fiscal Year	Annual Average Buying Rate	Annual Average Selling Rate
2022	121.13	121.73
2021	117.73	118.33
2020	116.53	117.13
2019	112.81	113.41
2018	104.26	104.86
2017	105.65	106.25
2016	106.19	106.79
2015	99.56	100.16
2014	97.93	98.53

(Source: Nepal Rastra Bank, Current Macroeconomic and Financial Situation, Monetary Survey)

Table 15 shows the prevailing exchange rate USD based and its trend from year 2012 to year 2022. The annual average buying rate and annual average selling rate are in incremental way throughout the period. At year 2012, the annual average buying rate was of 97.93 and reached to Rs. 121.13 at year 2022. Annual average selling rate was of 98.53 for year 2012 and reached to Rs. 121.73 at year 2022.

4.1.2.9 Foreign Exchange Reserve

Foreign Exchange reserve assets held by Nation's central bank in foreign currencies. In Nepal, Nepal Rastra Bank held foreign assets counted as foreign exchange reserve. Foreign exchange reserve plays an important role for efficient management of exchange rate and sustainable economy. It has element of foreign currency, gold, special drawing right and international monetary fund reserve. With adequate level of foreign exchange reserve,

exchange rate gets stabilized, faster in debts payments, advantages in investment can be achieved. It also helps to formulate monetary policy in Nation.

Table 16

Foreign Exchange Reserve and Rate Analysis

Fiscal Year	GER	FER	CER
2023	1539.36 billion	1345.78 billion	131.17 USD
2022	1215.80 billion	1056.39 billion	127.51 USD
2021	1339.03 billion	1244.63 billion	119.04 USD
2020	1401.54 billion	902.44 billion	109.36 USD
2019	1038.92 billion	989.40 billion	109.34 USD
2018	1079.52 billion	927.27 billion	102.86 USD
2017	1039.21 billion	887.01 billion	106.73 USD
2016	823.87 billion	702.88 billion	101.14 USD
2015	665.41 billion	572.40 billion	95.90 USD
2014	533.30 billion	453 billion	95 USD

(Source: Nepal Rastra Bank, Current Macroeconomic and Financial Situation, Monetary Survey)

Table 16 shows analysis of current foreign exchange reserve and currency exchange rate for year 2014 to year 2023. The Gross Exchange reserve is in increasing trend which implies to have adequate resources available for economic growth and sustainability. Foreign exchange reserve held by Nepal Rastra Bank is also in positive trend of growth. The level of reserve at year 2014 was of Rs. 453 billion which has reached to Rs. 1345.78 billion. The currency exchange rate was of 95 USD at year 2014 and has reached to 131.17 USD at year 2023.

4.1.2.10 International Investment Position (IIP)

International Investment Position is the reflection of Nation's external investment position. In case of international investment position report, it shows financial interaction of Nepal with other nation consisting assets owned and liabilities to foreign entities. With positive level of International Investment Position, National can eradicate price volatility ensuring economic growth. It also helps to make management of foreign investments and debts with increment

in domestic production and export. International Investment Position consists of Assets and liabilities as elements.

Table 17

International Investment Position Analysis *(Rs. in million)*

Fiscal Year	Assets (A)	Liabilities (B)	Net LLP (A-B)
2023	1,654,496.90	1,831,512.40	(177,015.57)
2022	1,330,654.40	1,601,991.70	(271,337.20)
2021	1,481,123.90	1,401,003.40	80,120.50
2020	1,467,785.60	1,214,285.60	253,499.90
2019	1,080,102.90	791,246.50	188,856.40
2018	1,138,241.30	856,117.40	282,123.90
2017	1,107,787.50	677,024.60	430,762.90
2016	1,054,012.20	610,485.30	443,526.80
2015	837,788.90	542,623.20	295,165.70
2014	681,315.10	495,392.10	185,923.00
2013	559,141.80	480,095.80	79,046.00

(Source: Nepal Rastra Bank, Current Macroeconomic and Financial Situation, Monetary Survey)

Table 17 shows current scenario of International Investment Position of Nepal. Net International Investment Position is calculated as Assets minus liabilities. The above data mentioned investment position for year 2013 to year 2023. The Net International Investment Position was in incremental trend to year 2020 but now is in declining position. In year 2021, it was of Rs. 80,120.50 million and at year 2022, it become negative Rs. 271,337.20 million. In year 2023, IIP was negative Rs. 177,015.57 million. The negative LLP shows higher liabilities indicating higher debt. This is negative sign for economic growth as Nation has higher debt to pay.

4.1.2.11 Monetary Operation

Monetary operation is conducted by Central Bank of Nation to study money supply, interest rates, and liquidity to have efficient management for assuring to achieve economic growth of Nation. One of element of monetary operation is liquidity injection which has further element

of Repo, outright purchase, Repo Auction, Standing Liquidity facility, overnight liquidity facility. Another element of monetary operation is liquidity absorption which has elements of Reverse Repo, outright sale, deposits collection auction and standing deposit auction.

Table 18

Monetary Operation Analysis *(Rs in million)*

Fiscal Year	Liquidity Injection	Liquidity Absorption	Net Liquidity Injection (+)/ Absorption (-)
2023/24	804,762.58	4,673,600.00	(3,868,837.42)
2022/23	5,518,186.20	108,200.00	5,409,986.20
2021/22	9,702,410.00	60,000.00	9,642,410.00
2020/21	438,277.10	303,290.00	134,987.10
2019/20	219,155.00	78,000.00	141,155.00
2018/19	322,488.97	100,350.00	222,138.97
2017/18	145,664.98	195,000.00	(49,335.02)

(Source: Nepal Rastra Bank, Current Macroeconomic and Financial Situation, Monetary Survey)

Table 18 shows summary of monetary operation for fiscal year 2017/18 to fiscal year 2023/24. In year 2017/18, there was liquidity absorption of Rs. 49,335.02 million. In year 2018/19 there was liquidity injection of Rs. 222,138.17 million. Likewise, for fiscal year 2019/20, 2020/21,2021/22 and 2022/23 there was liquidity injection of Rs. 141,155.00 million, Rs. 134,987.10 million, Rs. 9,642,410.00 million, Rs. 5,409,986.20 million respectively. There is net liquidity absorption of Rs. 3,868,837.42 million in fiscal year 2023/24.

4.1.2.12 Interest Rate

Interest rates policy is formulated by central bank of Nation understanding inflation rates, market liquidity position and fund circulation. Interest rate is one of key monetary indicators this makes influence on saving, and investment along with an inflation rate. The interest rate can be divided into policy rates, refinance rates, CRR, government securities, interbank rate and base rate. These rates are provided as rules and are mandatory to follow.

Table 19

Interest Rate Structure Analysis

Particulars		2024	2023	2022	2021	2020	2019	2018
A.	Policy Rates							
	Fixed Repo Rate (Corridor)	5.50	7.0	5.5	3.0	3.5	5.0	5.0
	Fixed Deposit Collection Rate (Corridor)	3.0	5.5	4.0	1.0	2.0	3.5	3.0
	Standing Liquidity Facility (SLF) Rate	7.0	7.5	7.0	5.0	5.0	6.5	7.0
	Bank Rate	7.0	7.5	7.0	5.0	5.0	6.5	7.0
	Overnight Liquidity Facility	5.50	7.0	-	-	-	-	-
B.	Refinance Rates							
	Special Refinance	4.0	4.5	2.0	1.0	1.0	1.0	1.0
	General Refinance	4.0	4.5	5.0	3.0	3.0	4.0	4.0
	MSME Refinance	4.0	4.5	4.0	-	-	-	-
	Export Credit in Foreign Currency	One year Benchmark interest +0.75	One year Benchmark interest +0.75	One year Benchmark +0.75	LIBOR + 0.25	LIBOR + 0.25	LIBOR +0.25	LIBOR +0.25
C.	CRR							
	Commercial Banks	4.0	4.0	3.0	3.0	3.0	4.0	6.0
	Development Banks	4.0	4.0	3.0	3.0	3.0	4.0	5.0
	Finance Companies	4.0	4.0	3.0	3.0	3.0	4.0	4.0
D.	Government Securities							
	T-bills (28 days)	2.97	4.39	10.14	4.68	-	4.33	3.07
	T-bills (91 days)	3.00	6.35	10.66	4.55	1.27	4.97	3.74
	T-bills (182 days)	3.04	6.55	10.64	4.39	1.96	5.03	4.39
	T-bills (364 days)	3.19	7.00	10.19	4.16	2.26	4.78	-
	Development Bonds	2.65-10.93	2.65-10.93	2.65-9.20	2.65-6.97	2.65-6.97	2.65-6.5	2.65-6.5
	National/Citizen SCs	9.0-11.5	9.0-11.50	8.5-10.00	8.0-9.0	8.0-9.0	8.0-9.0	6.0-8.5
E.	Interbank Rate (Commercial Banks)		2.98	6.99	4.12	0.35	4.52	2.96
F.	Weighted Average Deposit Rate (Commercial Banks)		7.86	7.41	4.65	6.01	6.60	6.49
G.	Weighted Average Lending Rate (Commercial Banks)		12.30	11.62	8.43	10.11	12.13	12.47

(Source: Nepal Rastra Bank, Current Macroeconomic and Financial Situation, Monetary Survey)

Table 19 shows structure of interest rate prevailing in Nepal. The data shows fixed Repo rate, fixed deposit collection rate, standing liquidity facility and bank rate were in increasing trend from year 2018 to year 2023 but has declined in year 2024. Likewise, under refinance rate; special refinance rate, general refinance rate, MSME refinance rate has declined in year 2024 in comparison to previous year. CRR for commercial bank, development bank, and finance companies is same for year 2024 which is 4%. The other elements like treasury bills, interbank rate carry different rates fluctuating from year to year.

4.1.2.13 Central Bank Survey

Central Bank Survey is conducted by Nepal Rastra Bank each year in order to assessed assets, deposits and liabilities. The central bank survey is an important survey as it highlights on assets and liabilities on central bank. The main components of central bank survey are of foreign assets, claims on government, claims on non-financial government enterprises, claims on non-banking financial institutions, claims on banks and financial institutions, claims on private sector, other assets, reserve money, general government, government deposits, deposit auction, reverse repo, NRB bond, foreign liabilities, capital and reserve, other liabilities.

Table 20

Central Bank Survey (Rs in million)

Particular	2022	2021	2020	2019	2018	2017	2016	2015
1.Foreign Assets	1,114,679.30	1,298,903.20	1,274,213.70	937,051.60	1,020,106.30	955,657.70	917,630.90	726,683.90
2.Claims on Government	51,589.70	56,786.50	66,822.50	65,313.20	74,587.50	41,866.50	16,408.70	18,526.60
3.Claims on Non-Financial Government Enterprises	33.60	33.60	31.00	31.00	31.00	31.00	31.00	31.00
4.Claims on Banks and Financial Institutions	643.70	643.70	577.70	577.70	2,795.70	3,448.60	2,423.80	2,423.80
5.Claims on Banks and Financial Institutions	270,063.70	122,703.90	7,487.50	22,904.80	12,230.30	6,937.30	6,710.20	3,261.50
6.Claims on Private Sector	6,558.10	3,395.00	3,515.70	3,638.10	4,796.10	4,137.10	4,449.80	4,695.80
7.Other Assets	61,600.20	73,546.70	60,458.00	43,350.80	38,810.40	36,601.20	33,875.40	31,359.30
8.Reserve Money	825,695.90	931,591.40	885,865.90	699,059.10	709,884.50	656,909.50	547,053.00	786,981.90
9.General Government Deposits	224,417.10	198,761.30	140,812.00	65,653.70	89,497.80	106,272.10	115,018.50	33,813.10
10.Deposit Auction	0.00	0.00	0.00	0.00	44,550.00	14,400.00	0.00	60,000.00
11.Reverse Repo	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00
12.NRB Bond	0.00	0.00	0.00	0.00	0.00	0.00	49,080.00	0.00
13.Foreign Liabilities	36,649.60	132.20	109.60	954.70	1,825.20	2,849.00	4,425.20	5,996.00
14.Capital and Reserve	390,656.90	348,295.50	295,357.30	195,281.70	173,512.20	128,664.10	139,195.60	118,248.20
15.Other Liabilities	57,749.00	77,232.30	90,961.20	111,918.10	134,087.70	139,584.60	126,757.40	41,026.10

(Source: Nepal Rastra Bank, Current Macroeconomic and Financial Situation, Monetary Survey)

Table 20 shows central bank survey data from year 2015 to year 2022.There is declination in Foreign Assets in year 2022. The foreign assets in year 2021 was Rs. 1,298,903.20 million which declined to Rs. 1,114,617.30 in year 2022. Likewise, claims on government has

declined to Rs. 51,589.70 million in year 2022. There is no change in claims on non-financial government enterprises and claims on banks and financial institutions. The other element has shown their respective value in table.

4.1.2.14 Monetary Policy

Monetary policy are set of rules designated for control of monetary variables with analysis and required reformation in policy. The primary objective of Nepal Rastra Bank is to maintain price and balance of payments (BoP) stability for ensuring stability and sustainable economic development, by formulating and managing necessary monetary and foreign exchange policies, as mandated by the Nepal Rastra Bank Act, 2002. The bank has been announcing monetary policy every year since 2002/03.

Some of review on monetary policy issued by Nepal Rastra Bank are tabulated below:

Table 21

Monetary Policy

Fiscal year	Economic and Monetary Target	Liquidity Management and Interest Rate	Monetary and Financial Sector
2023/24	The GDP growth further improved compared to the previous year. The fiscal sector performed suboptimal as both expenditure and revenue mobilization of the Government of Nepal (GON) are below the target. The credit expansion by banks and financial institutions appears	Total Rs. 4673.60 billion liquidity was absorbed on transaction basis, Rs. 3522.35 billion from standing deposit facility, and Rs. 1151.25 billion from the deposit collection auctions. The BFIs utilized a total of Rs. 804.76 billion liquidities on transaction basis, of which Rs. 1.20billion was through the standing liquidity facility and Rs. 803.56	The board money supply increased 12.7 percent in mid-June 2024 on year-to-year basis. The growth rate of the credit to private sector from the BFIs stood at 5.6 percent in mid-June 2024 on year-to-year basis. The deposit mobilized by the BFIs increased 12.6% in mid-June 2024 on year-to-year basis. Claims on private sector from the monetary sector

	to be slower than expected while the ratio of non-performing loans has increased. The policy was set to maintain management to contain inflation within 6.5 percent for 2023/24. The average inflation up to eleven months stood at 5.62 percent. The year-to-year inflation stood at 4.17 percent in mid-June 2024. The annual average inflation in 2023/24 is expected to remain within the target. The weighted average interbank rate for 2023/24 us recorded at 3.36 percent.	billion through the overnight liquidity facility. The net liquidity absorption remained at Rs. 3868.84 in the review year. Liquidity amounting to Rs.783.47 billion was injected through the net purchase of the United Stated Dollars (USD) from the foreign exchange market. The weighted average interbank rate among commercial bank stood at 2.99% in mid-July 2024. The average base rate of commercial banks, development banks, and finance companies stood at 8.17 percent, 9.96 percent and 11.46 respectively	stood at Rs. 5273 billion.
2022/23	The average inflation up to mid-June 2023 stood at 7.77 percent	Total liquidity of Rs. 414.47 billion through the repo auction and Rs. 89.70 billion through the	The board money increased 10.9 percent in mid-June 2023 on year-to-year basis. The total deposit mobilized

	The weighted average interbank rate, the operating target of the monetary policy target or remain at 5.5 percent to 8.5 percent. The annual weighted average interbank rate recorded at 7.13 percent. The weighted average interbank rates among commercial banks have continuously declined to 2.98 percent as in mid-July 2023.	outright purchase auction has been injected on transaction basis. The total of Rs. 395.97 billion net liquidity has been injected through the open market operations. BFIs have utilized liquidity facilities worth Rs 2727.11 billion through standing liquidity facility and Rs. 2286.90 billion through overnight liquidity facility. The liquidity of Rs. 712.50 billion has been injected in 2022/23 through the net purchase of the US Dollar in the foreign exchange market.	by the BFIs increased 12.2 percent and credit to private sector increased 3 percent. The BFIs have mobilized a total deposit of Rs. 88 billion from the remittance receipt in the accounts opened by Nepali people working abroad. The outstanding credit to private sector from BFIs estimated to reach Rs.4877 billion in mid-July 2023. The average credit-to-deposit ratio stands at 81.62 percent in mid-July 2023.
2021/22	The year-to-year consumer stood at 8.56 percent in mid-June 2022. In mid-July 2021, the weighted	The bank availed the liquidity of Rs. 9702.41 billion based on transaction basis. The amount of Rs. 476.39 billion was availed	The growth of board money in mid-June 2022 stood at 9 percent on year-to-year basis. The growth rate of credit to private sector from

	average interest rate 91-day treasury bills were 4.55 percent, which reached 10.66 percent in mid-July 2022. The average base rate of commercial banks reached 9.39 percent in mid-June 2022. The weighted average interest rate of deposits reached 7.34 percent in mid-June 2022. The weighted average lending rate reached 11.54 percent in mid-June 2022. The interbank rate stood at 7 percent in mid-June to mid-July 2022.	through repo, Rs. 55.92 billion through outright purchase, and Rs. 9170.11 billion through the standing liquidity facility.	monetary sector stood at 16 percent in mid-June 2022 on year-to-year basis.
2020/21	Average consumer inflation stood 3.60 percent in 2020/21 in compared to the target of 7.0 percent. On a year-to-year basis, inflation remained 4.19	In 2020/21, Rs. 438.28 billion liquidity was injected, out of which Rs. 67.94 billion was injected through Repo and Rs. 370.34 billion through standing liquidity Facility.	The deposit mobilization of the BFIs increased by 21.4 percent to Rs 4662.73 billion. Outstanding private sector credit of the BFIs increased by 27.3 percent to Rs. 4084.81 billion. The capital adequacy ratio

	percent in mid-June to mid-July 2021. The weighted average interbank rate among the BFIs remained 4.14 percent in mid-June 2021 to mid-July 2021.	In 2020/21, Rs. 303.29 billion liquidity was mopped up, out of which Rs. 109.54 was mopped up through Reverse Repo and Rs. 193.75 billion through Deposit Auction.	of commercial banks, development banks, and finance companies remained at 14.1 percent, 13.2 percent, and 22.0 percent respectively in mid-July 2021. The board money on year-to-year basis, increased by 21.8 percent in 2020/21. The claims of the monetary sector on the private sector grew by 26.3 percent in 2020/21.
2019/20	The consumer price inflation on year-to-year basis remained 4.54 percent in mid-June 2020. The average inflation in the eleven months of 2019/20 recorded 6.28 percent compared to 4.51 percent a year ago. The weighted average inter-bank rate among commercial banks stood 0.35 percent in mid-July 2020.	Total of Rs. 219.15 billion liquidity was injected, out of which Rs. 115.87 billion through Repo and Rs. 103.28 billion through standing liquidity facility. Total of Rs. 78 billion liquidity was mopped up in 2019/20, out of which Rs. 48 billion through deposit auction. Nepal Rastra Bank injected Rs. 492.24 billion liquidities through the net purchase of US dollar 4.20 billion	he deposits mobilization of the BFIs increased by 13.3 percent to Rs. 3666.62 billion in the eleven months of 2019/20. Outstanding credit of the BFIs increased by 10.7 percent during the eleven months of 2019/20 to Rs. 3172.98 billion in mid-June 2020. Capital Adequacy ratio of commercial banks, development banks, and finance companies stood at 13.4 percent, 13.4 percent and 18.7 percent

		from commercial banks in 2019/20. During the period, Nepal Rastra Bank purchased Indian currency equivalent to Rs. 442.13 billion through the sale of convertible foreign currencies. The base rate of commercial banks came down to 8.66 percent from 9.57 percent in mid-July 2019. The weighted average deposit and lending rate of commercial banks stood 6.17 percent and 10.43 percent respectively in mid-June 2020. Such rates were 6.60 percent and 12.13 percent respectively in mid-July 2019.	respectively in mid-June 2020. The year-to-year growth of broad money stood 17.5 percent in mid-June 2020 compared to the projection of 18 percent for 2019/20. Domestic and private sector credit, on year-on-year basis, increased by 16.9 percent and 13 percent respectively in mid-June 2020 compared to the projection of 24 percent and 21 percent respectively for 2019/20.
2018/19	Gross domestic product is estimated to grow by 7.1 percent in 2018/19. The Ratios of Gross capital formation to GDP are estimated	Total liquidity worth Rs. 322.49 billion was injected in 2018/19 of which Rs. 168.16 billion was injected through Repo and Rs. 154.33 billion was injected	The year-to-year growth of money supply stood at 16.7 percent in mid-June 2019 compared to the target of 18 percent in 2018/19. Domestic and private sector credit, on year-on-

to 36.9 percent and 62.3 percent respectively in 2018/19. Higher investment compared to savings led to resource gap at 9.9 percent of GDP in 2018/19. In the previous year, such gap was 8.1 percent. The average consumer price inflation in the eleven month of 2018/19 in 4.5 percent, such inflation was 4.2 percent a year ago. Government of Nepal mobilized domestic debt of Rs. 96.38 billion and make a payment of Rs. 34.31 billion thereby mobilizing net domestic debt of Rs. 62.07 billion in 2018/19 which is 1.8 percent of GDP. Trade deficit

through the standing liquidity facility.

Total liquidity worth Rs. 100.35 billion was mopped up in 2018/19 of which, Rs. 20.70 billion was mopped up through reverse repo and Rs. 79.65 billion mopped up through the deposit collection. NRB has injected worth Rs. 360.91 billion by purchasing US dollar 3.19 billion from commercial banks in 2018/19. During the period, Indian currency equivalent to Rs. 516.97 billion was purchased through the sale of convertible foreign currencies. The weighted average inter-bank rate among the commercial banks stood at 4.52 percent. In mid-June 2019, the weighted average deposit rate and lending rate of commercial banks stood

year basis, increased by 25.1 percent and 20.6 percent respectively in mid-June 2019.

widened by 17.2 percent to Rs. 1211.96 billion in the eleven months of 2018/19. Remittance inflows increased by 17.5 percent to Rs. 799.02 billion in the eleven months of 2018/19.	at 6.64 percent and 12.20 percent respectively. Such rates were 6.61 percent and 12.42 percent in mid-June 2018.

(Source: Nepal Rastra Bank, Monetary Policy)

Table 21 shows the review on monetary policy including amendments, implementation and target for the fiscal year. The policy formulation are based on monetary liquidity available on the country. The review on monetary policy contains target inflation rate, weighted average inter-bank rate, liquidity absorption and deposit mobilization by financial sector. The changes in policy and achievement in target show the efficiency on implementation of policy. The table highlights on economic and monetary target of monetary policy, liquidity management and interest rate with monetary and financial sector scenario. The analysis shows review on previous monetary policy and its implementation.

4.2 Descriptive Analysis

Table 22

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Gross Domestic Product	11	1618424	4255985	2765426.36	855406.578
Net Foreign Assets	11	383772.1	1335620.1	911228.400	323882.5628
Money Supply, M1+	11	134481.70	2964265.40	1536765.9818	920667.74390
Time Deposits	11	341033.00	28870080.30	3534030.1727	8426622.51768
Broad Money Liquidity	11	1190767.9	5544372.7	3018332.118	1518394.5939
Valid N (listwise)	11				

Table 22 shows descriptive statistics of Gross Domestic Product, Net foreign assets, money supply (M1+), time deposits and board money liquidity. The analysis assessed maximum, minimum, average mean value and level of standard deviation of each element. The N denotes the number of years taken as sample. The research paper has taken 11 years data for calculation and impact measurement. The board money liquidity has highest minimum value. Time deposit has highest maximum value, and highest average mean value for given period of time. The level of standard deviation signifies associated risk for given period. It shows time deposit has level of standard deviation in comparison to others.

4.3 Correlation Analysis

With the correlation analysis, degree of relationship in between two variables can be identified and explained. This analysis measure degree of correlation with value range between -1 to +1 defining -1 with perfect negative and +1 perfect positive correlation. In this research paper, correlation analysis is used to measure degree of correlation between dependent variable: Gross Domestic product and independent variables Net Foreign Assets, Money Supply M1+, Time deposits, Board Money Liquidity.

Correlations

Table 23

Correlation Coefficients

		GDP	NFA	M1+	TD	BML
GDP	Pearson Correlation	1				
	Sig.(2-tailed)					
NFA	Pearson Correlation	.888**	1			
	Sig.(2-tailed)	001				
M1+	Pearson Correlation	.826**	.661*	1		
	Sig.(2-tailed)	.002	.027			
TD	Pearson Correlation	.636*	.311	.467	1	
	Sig.(2-tailed)	.036	.352	.148		
BML	Pearson Correlation	.985**	.893**	.852**	.612*	1
	Sig.(2-tailed)	.001	.001	.001	.045	

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

*. Correlation is significant at the 0.05 level (2-tailed).

Table 23 shows coefficient of correlation in between dependent and independent variable. Here, dependent variable is Gross domestic product and independent variable are Net foreign assets, money supply (M1+), time deposits and board money liquidity. The correlation coefficient in between Gross domestic product and Net foreign assets is 0.888 which signifies strong positive correlation indicating high level of correlation. Likewise, the correlation coefficient in between Gross Domestic Product and money supply is 0.826 which signifies have of having high positive correlation. The correlation coefficient in between Gross Domestic Product and time deposits is 0.636 which implies existence of positive correlation in between these two variables. The correlation coefficient in between Gross Domestic

Product and Board money liquidity is 0.985 which shows existence of high level of positive correlation.

4.4 Regression Analysis

Regression analysis is statistical tools used to estimate the relationship in between dependent and independent variables. Regression analysis concerned with the study of the dependence of one variable, dependent variable, on one or more other variables, the independent variable with a view to estimating the average value of the dependent variable from the known values of the independent variable. Simple regression analysis and multiple regression analysis are two types of regression analysis. The research paper includes multiple regression analysis for study.

Table 24

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.988[a]	.977	.961	168200.958

a. Predictors: (Constant), Broad Money Liquidity, Time Deposits, Money Supply, M1+, Net Foreign Assets

Table 24 shows model summary of regression analysis. The level of R square explained the variation in dependent variable. The R square of 0.977 implies 97.7% variation in Gross domestic product is explained by Net foreign assets, money supply (M1+), Time deposits and board money liquidity where other remaining is explained by other factor not mentioned in these research paper.

Table 25

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7147454766877.042	4	1786863691719.261	63.159	.001[b]
	Residual	169749373499.503	6	28291562249.917		
	Total	7317204140376.545	10			

a. Dependent Variable: Gross Domestic Product

b. Predictors: (Constant), Broad Money Liquidity, Time Deposits, Money Supply, M1+, Net Foreign Assets

Table 25 present Anova table for test of overall goodness of fitted regression model. The P-value of F statistics is 0.001 which verified the fitted model is significant.

Table 26

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	963911.251	199520.227		4.831	.003
	NFA	.706	.675	.267	1.045	.002
	M1+	.074	.154	.080	.480	.648
	TD	.016	.013	.160	1.205	.001
	BML	.327	.233	.581	1.406	.001

a. Dependent Variable: Gross Domestic Product

Table 26 is regression coefficient table defining the level of impact on dependent variable by independent variable through regression coefficient. The table shows the variation to dependent variable, their accuracy and significance level. The regression equation is drawn from this table. The unstandardized coefficient and its sub-column “B” give regression coefficients, first one in column is y intercept and second one is regression coefficient of dependent variable (Y) and independent variable (X).

The Beta coefficient of Net Foreign assets is 0.706 having standardized coefficient of 0.267 with standard error of 0.675, t-value of 1.045 and significance level of 0.002 define that with change of 1 unit in net fixed assets there will be change in GDP by 0.706. The result reflect that there is significant impact of net foreign assets in growth of Gross Domestic product. The coefficient of Money supply (M1+) is 0.074 with standardized coefficient of 0.80 with standard error of 0.154 and t-value is 0.480. The coefficient for Time deposit is 0.016 with standardized coefficient of 0.160 having standard error of 0.013 and t-value of 1.205. The significance level for time deposit and Gross domestic product is 0.001 implying positive relationship in between two variables. Similarly, the coefficient for the Board Money

Liquidity is 0.327 with standardized coefficient of 0.581 having t-value of 1.406. The standard error is 0.233 while significance level is 0.001 which verify positive relationship in between board money liquidity and Gross domestic product.

4.5 Discussion

The research paper has examined the monetary indicators and its level of impact on economic level with defining Gross domestic product as dependent variable and Net foreign assets, money supply (M1+), money supply, time deposits, broad money liquidity as independent variable. The research study has followed research methodology of regression analysis for examination of relationship in between dependent and independent variable. The paper has investigated possibility of catastrophe in near future through survey of macroeconomic level. The lower agricultural contribution, industrial contribution and high level of trade deficit is evidence showing possible economic catastrophe. For minimization of such risk of catastrophe monetary evaluation is necessary. The paper has evaluated impact of net foreign assets, money supply (M1+), time deposits and board money liquidity on Gross domestic product. The result in research paper has clarified that there is high impact of independent variable on dependent variable. As per descriptive analysis, Gross domestic product has minimum value of 1,618,424, maximum value of 4,255,985, average mean value of 2,765,426.36 and standard deviation of 855,406.578. The Net foreign assets have minimum value of 383,722.10, maximum value of 1,335,620.10, average mean value of 911,288.400 and standard deviation of 323,882.5628. Money supply (M1+) has minimum value of 2,964,265.40, average mean value of 153,675.9818 and standard deviation of 920,667.74390. The time deposits for 11 years have minimum value of 341,033.00, maximum value of 3,543,030.1727 and standard deviation of 8,426,622.1768. The broad money liquidity for data of 11 year has minimum value of 1,110,767.90, maximum value of 5,554,372.70, average mean of 3,018,332.118 and standard deviation of 1,518,394.5939. The report state board money liquidity has highest minimum value. Time deposit has highest maximum, highest average mean value for given period of time.

The correlation coefficient explained degree of relationship in between dependent and independent variable. The correlation coefficient of 0.888 in between Gross Domestic

product and Net foreign assets implies very strong correlation. The change in net foreign assets has high positive influence in Gross domestic product. The correlation coefficient in between Gross domestic product and money supply (M1+) is 0.826 which signifies very strong correlation. There is high degree of relationship between these two variables. Change in money supply has high level influence in Gross domestic product. The correlation coefficient in between Gross domestic product and time deposit is 0.636 which implies strong correlation. There is strong positive relationship in between these two variables. The correlation coefficient in between Gross domestic product and board money liquidity is 0.985 which implies very strong correlation. The overall correlation analysis verifies that those monetary indicators have higher level of influence in Gross domestic product. The changes in level of these variables have high level of impact on economy of nation. There is strong positive correlation reflecting strong relationship in between dependent variables and independent variables. The model summary provides level of explanation given by independent variable on variation on dependent variable. The R square of 0.977 states 97.7% variation in Gross domestic product is explained by independent variables and rest of other are explained by other factor not mentioned in research paper. The significance level of 0.001 has verified overall research is valid and methodology used are all fitted. The overall result of research has defined strong positive relationship in between dependent and independent variable. The analysis result positive relationship shows there is higher level of impact of Net foreign assets, money supply, time deposits and board money liquidity on Gross domestic product. In order to foster economic growth and minimize risk of economic catastrophe, government should focus on efficient utilization of foreign assets. The money supply, time deposits and board money liquidity provide opportunity and adequate resources to make investment.

The result is similar to previous study of Neupane (2021) which has also conclusion of having existence of long-run relationship of monetary and fiscal policy measures with economic growth in Nepal. Dhungel (2021) has also given conclusion stating existence of positive and significant effect of board money supply and consumer price index on Gross domestic product. Acharya (2019) has provided recommendation for focusing on growth of time deposit for economic growth and control of inflation with verifying unidirectional relationship in between narrow money supply and consumer price. This research result is also

similar to Dingela and khobai (2017) which has also given conclusion of having positive relationship between money supply and economic growth in both long-run and short run. Similarly, Hussain and Haque (2017) has also highlighted on impact of steady board money on economic growth. likewise, Aslam (2016) also supported positive relationship in between money supply and economic growth. The result of this research paper is similar to result to previous research. The overall analysis shows there is strong and important relationship in between dependent and independent variable.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

The research paper has examined the level of impact of monetary indicators on economic growth and sustainability. The paper has focused on macro-economic variable and monetary variable associating with nation's growth. The economic aspect of Nepal has prime factor of agriculture, industry, service and trade where in monetary evaluation foreign assets, board money, money supply, board money liquidity, inflation, interest rates, exchange rate, reserve are major element. The probability of economic catastrophe is very high in near future. The shutdown of industries and freeze of resources, lower agricultural production and higher trade deficit are key evidence to verify possibility of economic catastrophe. The higher level of inflation declines purchasing power of local consumer as well as sustainability they seek foreign opportunities. The remittance inflow has become one of sources in nation income that maintain fund circulation in market however, Nepal is losing skilled manpower. The question is how many years does the remittance inflow can served to nation's economy. The vicious cycle has been created in nation; without manpower can't be hold and without human resources, no industrialization can be operated. The growing level of trade deficit shows outflow of nation's currency causing scarcity of resources in nation to investment. This clarifies the increasing possibility of catastrophe. In order to minimize the possibility, different aspect like monetary evaluation, economic variable should be researched. The loopholes in policy should be analyzed. This paper has focused on monetary aspect and investigated relationship in between monetary indicator and Gross domestic product. The paper research contains independent variable as Net foreign assets, money supply (M1+), time deposits and board money liquidity and Gross domestic product are considered as dependent variable. The paper has analyzed Nepalese economy indicator showing contribution level of agriculture, industry, service to Gross Domestic product. The paper has examined monetary evaluation with study if monetary survey, inflation, exchange rate, foreign exchange reserve, international investment position, monetary operation, interest rate structure analysis and central bank survey. Net foreign assets reflect the level of foreign assets held by nation. Gross foreign assets of banking sector show data of foreign assets held

by different bank and financial institutions. Net domestic product analysis has been done which has provides information about domestic credit and net non-monetary liabilities. Domestic credit analysis highlights level of domestic credit of nation. The board money analysis assessed level of money supply, currency, demand deposit and time deposits. Board money analysis is an important aspect of this research paper. Board money liquidity available in the nation. Inflation rate analysis shows tendency of inflation rate. The prevailing exchange rate has been picturized in exchange rate analysis likewise, foreign exchange reserve was studied. For foreign investment study, International Investment position has examined in paper. Monetary operation is one of key area to study for formulating monetary policy which has been studied with element of liquidity injection, liquidity absorption. Similarly, central operation has been examined to find out assets held by nation. The overall research paper has analyzed various elements associated with macro-economic and monetary evaluation. The descriptive statistics has been used for calculation of average mean and standard deviation. Further, causal-comparative analysis has been implemented to find out result. The result through correlation has clearly verified that there is strong positive correlation in between dependent and independent variable. The analysis result that there is an important impact of net foreign assets. Board money, money supply (M1+), board money liquidity on the Gross domestic product.

5.2 Conclusion

The research paper is based on descriptive, casual-comparative analysis method with use of secondary data of 11 years collected from Nepal Rastra bank, current macro-economic and financial report. For examination of relationship in between Net fixed foreign assets, board money, money supply (M1+), board money liquidity with Gross domestic product, the paper has classified Gross domestic product as dependent variable and other element as independent variable. The descriptive statistics provides minimum, maximum, average mean and standard deviation value of each variable for given period of time. The descriptive statistics shows board money liquidity has higher minimum value and Gross domestic product has lowest minimum value. Time deposits have higher maximum, average mean and standard deviation for given period of time. As per correlation analysis, all the coefficient calculated for given period of time signifies to have positive correlation indicating high level

of impact on Gross domestic product. The regression model is found to be fitted with being significance level less than 1%. The coefficients analysis is important aspect to measure the impact of level of individual element on Gross domestic product. The unstandardized coefficients B defined level of impact on dependent variable. The possible Beta coefficients for Gross domestic product and Net foreign assets is 0.706 which implies that in case of change in net foreign assets by 1 unit there shall be change in Gross domestic product by 0.706. The positive Beta coefficient for Gross domestic product and money supply is 0.74 which state in case of change in money supply by 1 unit there shall be change in Gross domestic product by 0.74. The positive coefficient for Gross domestic product and time deposits is 0.16 which implies that change in time deposit by 1 unit shall bring change in Gross domestic product by 0.16. Likewise, the positive Beta coefficient 0.327 in between Gross domestic product and board money liquidity state that, in case of change in board money liquidity by 1 unit there shall be change in Gross domestic product by 0.327.

The descriptive analysis and casual comparative have clearly verified the positive relationship in between dependent and independent variable. Thus, this independent variable has significant impact on economic growth of nation.

5.3 Implications

The monetary sectors are crucial elements of an economy of Nation. With proper mobilization and prior survey for investment can give better result in economic activities. To make nation growth economic as well monetary factor should be analyzed and reviewed time to time. The change in policies and well execution of monetary plans shall bring prosperous and growth in nation. Monetary indicator shows the monetary position and level of nation while economic factor indicates the economic level in nation. Both the term can be used to identify nation's level in competitive world of globalization. International investment comparison, comparison of Gross domestic product, comparison of existing conversion rate of currency provides evidence to show the nation's growth level in world market. There are some of implications of the study which are given below:

5.3.1 Policy Implications

- The scenario and existing evidence of economic factor has verified to economic catastrophe in case of Nepal. In order to eradicate such catastrophe, strong policies

regarding industries should be formulated as well as executed. Efficiency in law is only possible with effective execution of law. The concern governing parties should focused on agriculture, industrial, service and especially trade sector to improve economic growth. The vicious chain or cycle of outflow number of worker and industrial production should be studied and opportunities should be provide with skill based.

- Monetary indicator is key element in economy of nation indicating financial and monetary position in nation as well as international level. The level of existing conversion rate, international investment and hold of foreign reserve show capability of nation to make further investment. Monetary survey and policy should be reviewed and studied time to time in order to check any loopholes in policy. The analysis shall provide knowledge to policy maker to make further changes or creation of new policy.
- Globalization and international market are competitive as emergence of technologies. The study of international market, policies and globalized market is one of necessary topic to evaluate. For growth of economy in competitive market, the nation must be able to maintain trade in international level. The study of trade shall provide ideas to enhance potential product production as well monetary indicator shall give financial information regard to available investment.
- Policy maker can forecast the challenges with analysis of monetary indicator and economic factor. The formation of policy and execution shall make environment to cope with such challenges.

Overall, the result verifies there are impact of monetary indicator on economy of Nepal as well chances of catastrophe. The monetary and economic factor is important aspect to ensure sustainable economic growth of Nepal.

5.3.2 Research Implications

The research study has provided evidence and verification with valuable information regarding importance of economic and monetary factor for nation's growth. There are some other areas where research can be conduct with parameter of economic variants and monetary variants. The following implications are suggested with this research study:

- The international trade relationship with investment plans can be studied with concept of increasing trade volume with identification of potential product and potential nations. Investment policy can be analysis for study availability of resources.
- Monetary indicators like exchange rate, interest rate, inflation rate can research and its impact on economic growth can be measured with their relationships.
- Economic growth and its relevant factor can be further studied to get more insight knowledge of nation and its future possibilities.
- The analysis of importance of monetary as well as economic variables on economic enhancement shall make everyone conscious regarding nation's growth.

With identification of other areas for future research, more analytical and more clarification can be developed in relationship in between monetary and economic variable with economic growth. The research paper shall provide some valuable aspect and matter to be considered for nation's wellbeing. It will be useful material for policy maker as well researcher for analysis on nation's economic development.

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Appendix

Gross Domestic Product and Growth Rate

Fiscal Year	GDP	GDP growth Rate
2022	4,212,145	13.38
2021	3,714,933	8.35
2020	3,428,524	2.57
2019	3,342,481	11.00
2018	3,011,022	10.68
2017	2,720,563	16.19
2016	2,341,402	7.079
2015	2,186,608	-

Industrial contribution to Gross domestic product

Year	INDCG	% Δ in INDCG	GDP	% of INDCG
2021/22	593515	18.36	4,212,145	14.10
2020/21	501407	13.60	3,714,933	13.50
2019/20	441392	-4.00	3,428,524	12.87
2018/19	459870	12.79	3,342,481	13.76
2017/18	407714	15.18	3,011,022	13.54
2016/17	354017	20.66	2,720,563	13.01
2015/16	293410	5.64	2,341,402	12.53
2014/15	291765		2,186,608	13.34

Agricultural contribution to Gross Domestic Product

Year	AGRCG	% Δ in AGRCG	GDP	% of AGRCG
2021/22	1,039,073	13.94	4,212,145	24.67
2020/21	911,916	-1.50	3,714,933	24.55
2019/20	925,787	10.35	3,428,524	27.00
2018/19	838,961	9.43	3,342,481	25.10

2017/18	766,620	10.55	3,011,022	25.46
2016/17	693,439	5.78	2,720,563	25.48
2015/16	655,571	5.13	2,341,402	28.00
2014/15	623,567	-	2,186,608	28.52

Trade Analysis

Year	Export	Import	Trade Deficit
2022/23	157.14 billion	1611.73 billion	1454.59 billion
2021/22	200.03 billion	1920.45 billion	1720.42 billion
2020/21	141.12 billion	1539.84 billion	1398.71 billion
2019/20	97.71 billion	1196.8 billion	1099.09 billion
2018/19	97.11 billion	1418.54 billion	1321.43 billion
2017/18	81.19 billion	1242.83 billion	1161.64 billion
2016/17	73.05 billion	990.11 billion	917.06 billion

Gross Foreign Assets

Particulars	**Mid-Jul**		
	2022	**2023**	**2024**
A. Nepal Rastra Bank (1+2)	**1144679.3**	**1440143.2**	**1957696.5**
1. Gold, SDR, IMF Reserves Position	88284.7	94366.7	109141.5
2. Foreign Exchange Reserves	**1056394.6**	**1345776.4**	**1848554.9**
Convertible	783819.6	1013087.8	1400975.1
Inconvertible	272575.0	332688.6	447579.8
B. Bank and Financial Institutions*	**159407.5**	**193586.0**	**192547.8**
Convertible	144563.9	179573.0	180617.0
Inconvertible	14843.6	14013.0	11930.8
C. Gross Foreign Exchange Reserves	**1215802.2**	**1539362.4**	**2041102.7**

	Convertible	928383.5	1192660.8	1581592.1
	Share in total (in percent)	76.4	77.5	77.5
	Inconvertible	287418.7	346701.6	459510.7
	Share in total (in percent)	23.6	22.5	22.5
D. Gross Foreign Assets (A+B)		**1304086.8**	**1633729.1**	**2150244.3**
Import Capacity in Months				
Gross Foreign Exchange Reserves				
	Merchandise	7.8	11.7	15.6
	Merchandise and Services	6.9	10.0	13.0
Gross Foreign Assets				
	Merchandise	8.4	12.4	16.4
	Merchandise and Services	7.4	10.6	13.7
E. Foreign Liabilities		152751.3	176171.9	160965.7
F. Net Foreign Assets(D-E)		1151335.5	1457557.2	1989278.5
G. Change in NFA (before adj. ex. val.)**		220360.2	-306221.7	-531721.3
H. Exchange Valuation		32002.6	20398.4	29230.2
I. Change in NFA (G+H)* **		**252362.8**	**-285823.2**	**-502491.1**

Monetary Aggregates	**2022**	**2023**
	Jul	**Jul (R)**
1. Foreign Assets, Net	**1151335.5**	**1457557.2**
1.1 Foreign Assets	1304086.8	1633729.1

1.2 Foreign Liabilities	152751.3	176171.9
a. Deposits	58128.7	72724.0
b. Other	94622.6	103447.9
2. Net Domestic Assets	**4393037.2**	**4707206.0**
2.1 Domestic Credit	5674954.3	6175524.6
a. Net Claims on Government	747170.7	1011933.1
i. Claims on Government	971587.8	1077292.8
ii. General Government Deposits	224417.1	65359.7
b. Claims on Non-Financial Government Enterprises	3783.9	3647.9
c. Claims on Other Financial Institutions	235000.7	256594.8
i. Government	1564.5	1045.5
ii. Non-Government	233436.3	255549.3
d. Claims on Private Sector	4688998.9	4903348.8
2.2 Net Non-Monetary Liabilities	1281917.1	1468318.6
3. Broad Money (M2)	**5544372.7**	**6164763.2**
3.1 Money Supply (a+b), M1+	2674292.5	2789073.3
a. Money Supply (M1)	953853.9	950870.3
i. Currency	505902.9	514403.6
ii. Demand Deposits	447951.0	436466.7
b. Saving and Call Deposits	1720438.5	1838203.0

3.2 Time Deposits	2870080.3	3375689.9
4. Broad Money Liquidity (M3)	**5602501.5**	**6237487.2**

Central Bank Survey

Headings	2022 Jul	2023 Jul (R)
1. Foreign Assets	**1144679.3**	**1440143.2**
1.1 Gold Investment	60042.2	65812.7
1.2 SDR Holdings	25568.3	25708.0
1.3 Reserve Position in the Fund	2674.1	2846.0
1.4 Foreign Exchange	1056394.6	1345776.4
2. Claims on Government	**51589.7**	**74209.4**
2.1 Treasury Bills	15128.3	45352.7
2.2 Development Bonds	33457.0	24949.0
2.3 Other Government Papers	3004.4	3907.7
2.4 Loans and Advances	0.0	0.0
3. Claims on Non-Financial Government Enterprises	**33.6**	**33.6**
4. Claims on Non-Banking Financial Institutions	**643.7**	**643.7**
4.1 Government	643.7	643.7
4.2 Non-Government	0.0	0.0
5. Claims on Banks and Financial Institutions	**270063.7**	**1497.8**
5.1 Refinance	111961.2	1497.8
5.2 Repo Lending and SLF	158102.5	0.0
6. Claims on Private Sector	**6558.1**	**6532.9**
7. Other Assets	**61600.2**	**61429.9**
Assets = Liabilities	**1535168.4**	**1584490.6**
8. Reserve Money	**825695.9**	**911628.5**
8.1 Currency Outside ODCs	505902.9	514403.6
8.2 Currency Held by ODCs	108250.2	99280.0
8.3 Deposits of Commercial Banks	180720.7	259728.4
8.4 Deposits of Development Banks	13564.9	20021.4
8.5 Deposits of Finance Companies	3427.9	5127.3

8.6 Other Deposits	13829.3	13067.7
9. General Government Deposits	**224417.1**	**65359.7**
10. Deposit Auction	**0.0**	**20000.0**
11. Reverse Repo	**0.0**	**40000.0**
12. NRB Bond	**0.0**	**0.0**
13. Foreign Liabilities	**36649.6**	**39041.4**
13.1 Foreign Deposits	88.5	134.8
13.2 IMF Trust Fund	0.0	0.0
13.3 Use of Fund Resources	0.0	0.0
13.4 SAF	0.0	0.0
13.5 ESAF	0.0	0.0
13.6 ECF	0.0	0.0
13.7 RCF	0.0	0.0
13.8 SDR Allocation$	36561.0	38906.6
14. Capital and Reserve	**390656.9**	**417413.4**
15. Other Liabilities	**57749.0**	**91047.7**

Summary of Monetary Operation

(Rs. in Million)

Details	2021/22	2022/23	2023/24
A. Liquidity Injection	**9,702,410.00**	**5,518,186.20**	**804,762.58**
1. Repo	270,000.00	316,500.00	-
2. Outright Purchase	55,915.90	89,700.00	-
3. Repo Auction *	206,388.00	97,972.60	-
4. Standing Liquidity Facility	9,170,106.10	2,727,112.30	1,200.00
5. Overnight Liquidity Facility[#]	-	2,286,901.30	803,562.58
B. Liquidity Absorption	**60,000.00**	**108,200.00**	**4,673,600.00**
1. Reverse Repo	28,350.00	88,200.00	-
2. Outright Sale	-	-	-

3. Deposit Collection Auction	31,650.00	20,000.00	1,151,250.00
4. Deposit Collection Auction *	-	-	-
5. Standing Deposit Facility			3,522,350.00
C. Net Liquidity Injection (+) / Absorption (-)	**9,642,410.00**	**5,409,986.20**	**(3,868,837.42)**

* Transaction under Interest Rate Corridor

International Investment fund

S.N.	Heading	As of Mid-July		
		2021[R]	2022[R]	2023[P]
A	**Assets**	**1,481,123.9**	**1,330,654.4**	**1,654,496.9**
1	**Direct Investment**	**-**		
2	**Portfolio Investment**	**-**		
3	**Other Investments**	**182,220.7**	**185,975.1**	**214,353.7**
	Other equity	13,193.7	12,809.3	12,495.8
	Currency and Deposits	75,391.7	86,132.1	68,022.1
	Loans	861.7	1,024.4	1,568.4
	Trade credit and advances	15,881.7	14,255.6	7,704.1
	Other account receivable	76,891.8	71,753.8	124,563.4
4	**Official Reserve Assets**	**1,298,903.2**	**1,144,679.3**	**1,440,143.2**
B	**Liabilities**	**1,401,003.4**	**1,601,991.7**	**1,729,394.5**
1	**Direct Investment ****	**227,946.9**	**264,329.5**	**270,290.8**
2	**Portfolio Investment**	**-**		
3	**Other Investments**	**1,173,056.5**	**1,337,662.1**	**1,459,103.7**
	Other equity	**-**		
	Currency and Deposits	55,851.2	58,217.3	72,858.8
	Loans			

	988,754.0	1,124,347.6	1,218,434.2
Trade credit and advances	116,853.4	118,482.6	127,998.7
Other account payable	35.3	53.6	905.4
Special drawing rights (Net incurrence of liabilities)	11,562.6	36,561.0	38,906.6
Net IIP	**80,120.5**	**-271337.21**	**-74897.63**

Monetary Survey

Monetary Aggregates	**2021**	**2022**
	Jul	**Jul (R)**
1. Foreign Assets, Net	**1335620.1**	**1112363.6**
1.1 Foreign Assets	1453294.9	1304086.8
1.2 Foreign Liabilities	117674.8	191723.2
a. Deposits	91794.6	97100.7
b. Other	25880.2	94622.6
2. Net Domestic Assets	**3819233.1**	**4393037.2**
2.1 Domestic Credit	4955476.5	5673573.6
a. Net Claims on Government	588866.2	745790.0
i. Claims on Government	787627.5	971587.8
ii. General Government Deposits	198761.3	225797.8
b. Claims on Non-Financial Government Enterprises	7512.6	3783.9

c. Claims on Other Financial Institutions	219542.3	235000.7
i. Government	1615.7	1564.5
ii. Non-Government	217926.6	233436.3
d. Claims on Private Sector	4139555.4	4688998.9
2.2 Net Non-Monetary Liabilities	1136243.4	1280536.4
3. Broad Money (M2)	**5154853.2**	**5505400.8**
3.1 Money Supply (a+b), M1+	2964265.4	2652266.1
a. Money Supply (M1)	1049410.2	948113.4
i. Currency	571971.8	505902.9
ii. Demand Deposits	477438.4	442210.5
b. Saving and Call Deposits	1914855.2	1704152.7
3.2 Time Deposits	2190587.8	2853134.7
4. Broad Money Liquidity (M3)	**5246647.7**	**5602501.5**

Central Bank Survey

Headings	**2021**	**2022**
	Jul	**Jul (R)**
1. Foreign Assets	**1298903.2**	**1144679.3**
1.1 Gold Investment	51132.9	60042.2
1.2 SDR Holdings	419.9	25568.3
1.3 Reserve Position in the Fund	2716.7	2674.1
1.4 Foreign Exchange	1244633.6	1056394.6
2. Claims on Government	**56786.5**	**51589.7**
2.1 Treasury Bills	15473.3	15128.3

2.2 Development Bonds	41129.0	33457.0
2.3 Other Government Papers	184.2	3004.4
2.4 Loans and Advances	0.0	0.0
3. Claims on Non-Financial Government Enterprises	**33.6**	**33.6**
4. Claims on Non-Banking Financial Institutions	**643.7**	**643.7**
4.1 Government	643.7	643.7
4.2 Non-Government	0.0	0.0
5. Claims on Banks and Financial Institutions	**122703.9**	**270063.7**
5.1 Refinance	122703.9	111961.2
5.2 Repo Lending and SLF	0.0	158102.5
6. Claims on Private Sector	**3395.0**	**6558.1**
7. Other Assets	**73546.7**	**61600.2**
Assets = Liabilities	**1556012.8**	**1535168.4**
8. Reserve Money	**931591.4**	**825695.9**
8.1 Currency Outside ODCs	571971.8	505902.9
8.2 Currency Held by ODCs	99629.2	108250.2
8.3 Deposits of Commercial Banks	229681.9	180720.7
8.4 Deposits of Development Banks	14003.0	13564.9
8.5 Deposits of Finance Companies	4358.9	3427.9
8.6 Other Deposits	11946.7	13829.3
9. General Government Deposits	**198761.3**	**225797.8**
10. Deposit Auction	**0.0**	**0.0**
11. Reverse Repo	**0.0**	**0.0**
12. NRB Bond	**0.0**	**0.0**
13. Foreign Liabilities	**132.2**	**36649.6**
13.1 Foreign Deposits	132.2	88.5
13.2 IMF Trust Fund	0.0	0.0
13.3 Use of Fund Resources	0.0	0.0
13.4 SAF	0.0	0.0
13.5 ESAF	0.0	0.0
13.6 ECF	0.0	0.0
13.7 RCF	0.0	0.0
13.8 SDR Allocation$	0.0	36561.0
14. Capital and Reserve	**348295.5**	**390656.9**
15. Other Liabilities	**77232.3**	**56368.3**

Summary of Monetary Operation

(Rs. in Million)

Details	2020/21	2021/22	2022/23
A. Liquidity Injection	**438,277.10**	**9,702,410.00**	**5,518,186.20**
1. Repo	50,000.00	270,000.00	316,500.00
2. Outright Purchase	-	55,915.90	89,700.00
3. Repo Auction *	17,937.10	206,388.00	97,972.60
4. Standing Liquidity Facility	370,340.00	9,170,106.10	2,727,112.30
5. Overnight Liquidity Facility[#]	-	-	2,286,901.30
B. Liquidity Absorption	**303,290.00**	**60,000.00**	**108,200.00**
1. Reverse Repo	109,540.00	28,350.00	88,200.00
2. Outright Sale	-	-	-
3. Deposit Collection Auction	193,750.00	31,650.00	20,000.00
4. Deposit Collection Auction *	-	-	-
C. Net Liquidity Injection (+) / Absorption (-)	**134,987.10**	**9,642,410.00**	**5,409,986.20**

International Investment Position

S.N.	Heading	As of Mid-July		
		2020[R]	**2021[R]**	**2022[P]**
A	**Assets**	**1467785.6**	**1481123.9**	**1330654.4**
1	**Direct Investment**	**-**	**-**	**-**
2	**Portfolio Investment**	**-**	**-**	**-**
3	**Other Investments**	**193571.9**	**182220.7**	**185975.1**
	Other equity	11529.9	13193.7	12809.3
	Currency and Deposits	87628.2	75391.7	86132.1
	Loans	869.0	861.7	1024.4

	Trade credit and advances	6083.4	15881.7	14255.6
	Other account receivable	87461.5	76891.8	71753.8
4	**Official Reserve Assets**	**1274213.7**	**1298903.2**	**1144679.3**
B	**Liabilities**	**1214285.6**	**1401003.4**	**1588272.6**
1	**Direct Investment ****	**198520.8**	**227946.9**	**246507.2**
2	**Portfolio Investment**	**-**	**-**	**-**
3	**Other Investments**	**1015764.9**	**1173056.5**	**1341765.4**
	Other equity	-	-	
	Currency and Deposits	69764.7	55851.2	58217.3
	Loans	852518.2	988754.0	1128450.9
	Trade credit and advances	82238.3	116853.4	118482.6
	Other account payable	44.6	35.3	53.6
	Special drawing rights (Net incurrence of liabilities)	11199.0	11562.6	36561.0
	Net IIP	**253499.9**	**80120.5**	**-257618.2**

Gross Foreign Assets

Particulars	**Mid-Jul**		
	2020	**2021**	**2022**
A. Nepal Rastra Bank (1+2)	**1274213.7**	**1298903.2**	**1144679.3**
1. Gold, SDR, IMF Reserves Position	48091.4	54269.6	88284.7
2. Foreign Exchange Reserves	**1226122.3**	**1244633.6**	**1056394.6**
Convertible	921000.7	925919.4	783819.6
Inconvertible	305121.6	318714.2	272575.0
B. Bank and Financial Institutions*	**175713.9**	**154391.7**	**159407.5**
Convertible	161285.7	137938.9	144563.9
Inconvertible	14428.2	16452.8	14843.6
C. Gross Foreign Exchange Reserves	**1401836.3**	**1399025.3**	**1215802.2**
Convertible	1082286.4	1063858.3	928383.5
Share in total (in percent)	77.2	76.0	76.4

	Inconvertible	319549.8	335167.0	287418.7
	Share in total (in percent)	22.8	24.0	23.6
D. Gross Foreign Assets (A+B)		**1449927.6**	**1453294.9**	**1304086.8**
Import Capacity in Months				
Gross Foreign Exchange Reserves				
	Merchandise	14.4	11.2	7.8
	Merchandise and Services	12.7	10.2	6.9
Gross Foreign Assets				
	Merchandise	14.9	11.6	8.4
	Merchandise and Services	13.1	10.6	7.4
E. Foreign Liabilities		121578.6	117674.8	191723.2
F. Net Foreign Assets(D-E)		1328349.0	1335620.1	1112363.6
G. Change in NFA (before adj. ex. val.)**		-343565.9	-7271.0	223256.5
H. Exchange Valuation		61156.4	6044.3	32002.6
I. Change in NFA (G+H)* **		**-282409.5**	**-1226.7**	**255259.1**

Central Bank Survey

Headings	**2020**	**2021**
	Jul	**Jul (R)**
1. Foreign Assets	**1274213.7**	**1298903.2**
1.1 Gold Investment	44996.9	51132.9
1.2 SDR Holdings	420.1	419.9
1.3 Reserve Position in the Fund	2674.4	2716.7
1.4 Foreign Exchange	1226122.3	1244633.6
2. Claims on Government	**66822.5**	**56786.5**
2.1 Treasury Bills	21319.9	15473.3

2.2 Development Bonds	43556.5	41129.0
2.3 Other Government Papers	1946.1	184.2
2.4 Loans and Advances	0.0	0.0
3. Claims on Non-Financial Government Enterprises	**31.0**	**33.6**
4. Claims on Non-Banking Financial Institutions	**577.7**	**643.7**
4.1 Government	577.7	643.7
4.2 Non-Government	0.0	0.0
5. Claims on Banks and Financial Institutions	**7487.5**	**122703.9**
5.1 Refinance	7487.5	122703.9
5.2 Repo Lending and SLF	0.0	0.0
6. Claims on Private Sector	**3515.7**	**3395.0**
7. Other Assets	**60458.0**	**73546.7**
Assets = Liabilities	**1413106.1**	**1556012.8**
8. Reserve Money	**885865.9**	**931591.4**
8.1 Currency Outside ODCs	490396.4	571971.8
8.2 Currency Held by ODCs	91393.7	99629.2
8.3 Deposits of Commercial Banks	274907.3	229681.9
8.4 Deposits of Development Banks	17466.2	14003.0
8.5 Deposits of Finance Companies	4163.1	4358.9
8.6 Other Deposits	7539.2	11946.7
9. General Government Deposits	**140812.0**	**198761.3**
10. Deposit Auction	**0.0**	**0.0**
11. Reverse Repo	**0.0**	**0.0**
12. NRB Bond	**0.0**	**0.0**
13. Foreign Liabilities	**109.6**	**132.2**
13.1 Foreign Deposits	109.6	132.2
13.2 IMF Trust Fund	0.0	0.0
13.3 Use of Fund Resources	0.0	0.0
13.4 SAF	0.0	0.0
13.5 ESAF	0.0	0.0
13.6 ECF	0.0	0.0
13.7 RCF	0.0	0.0
13.8 SDR Allocation$	0.0	0.0
14. Capital and Reserve	**295357.3**	**348295.5**
15. Other Liabilities	**90961.2**	**77232.3**

IMPACT OF MONETARY INDICATORS ON ECONOMY OF NEPAL

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ABSTRACT The research paper examined the relationship in between monetary indicator with Gross domestic product with used of descriptive, xcasual-comparative method of study. To assessed the level of impact secondary data are collected from Nepal Rastra Bank, current macro- economic and financial report of eleven years. The paper analysis current economic situation with study of macro-economic variable. The monetary evaluation including monetary survey, central bank survey, interest rate's structure, reserve, exchange rate has highlighted the current monetary scenario of nation. The result state that there is positive relationship in between dependent and independent variables. The correlation and regression analysis verified the existence of major impact of foreign assets, money supply, time deposits and board money liquidity on Gross