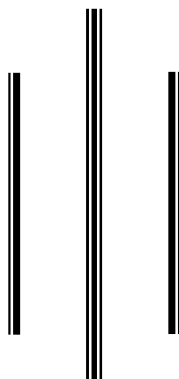


TRIBHUVAN UNIVERSITY
TREND AND STRUCTURE OF PUBLIC DEBT IN
NEPAL



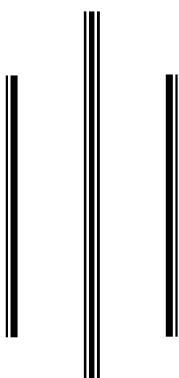
A Dissertation

**Submitted to the Department of Economics, Prithvi Narayan Campus,
Faculty of Humanities and Social Sciences, Tribhuvan University in
Partial Fulfillment of the requirement for the Degree of**

MASTER OF ARTS

in

ECONOMICS



By:

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October, 2012

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LETTER OF RECOMMENDATION

This thesis entitled **Trend and Structure of Public Debt in Nepal**" has been prepared by Mr. Mukund Raj Adhikari under my supervision. I hereby recommend this thesis for examination by the thesis committee as a partial fulfillment of the requirement for the degree of Master of Arts in Economics.

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ABSTRACT

Economic development is the main goal of underdeveloped countries but the lack of financial resources it cannot be easily achieved. To minimize the deficiency of financial resources public debt can play an important role. So, developing countries like, Nepal need internal as well as external borrowing to support the budgetary deficits.

Underdeveloped country has low rate of savings investment, income and low living standard due to the low per capita income and poverty, dualistic economy, unutilized natural resources, lack of capital etc. Resource gap is a burning problem of the underdeveloped economy due to the lack of capital. Public debt is only one solution to fill the lack of capital.

In the research period, it was found that government borrowing has been increased unlikely and financed mostly on the unproductive sector including uncertainties, high expenditures and hence the government always has the lack of resources and then borrows the new loan to pay previous ones. That's why, the public debt and its interest is increasing rapidly, but addressing capacity for redemption the debt is not increasing in the same pace.

From the study period F.Y. 1991/92 to F.Y. 2010/11, it is concluded that the average annual growth rate of GDP and revenues are extremely low as compared with that of debt and its servicing obligation. Because of investment in unproductive borrowed funds, other things remaining the same, there are the symptoms of progressively going towards the debt trap soon. Hence fiscal deficit is increasing in any way and the public debt has played a vital role in socio-economic development of the country.

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ABBREVIATION USED

ADB	:	Asian Development Bank
BOP	:	Balance of Payment
CBS	:	Central Bureau of Statistics
EDS	:	External Debt Servicing
FDI	:	Foreign Direct Investment
FG	:	Foreign Grants
FY	:	Fiscal Year
GDP	:	Gross Domestic Product
GNP	:	Gross National Product
HRD	:	Human Resource Development
IDS	:	Internal Debt Servicing
IDA	:	International Development Association
IMF	:	International Monetary Fund
IP	:	Import Payment
MGS	:	Imports and Goods and Services
MOF/GON	:	Ministry of Finance/Government of Nepal
MPC	:	Marginal Propensity to Consume
NPC	:	National Planning Commission
NPV	:	Net Present Value
NRB	:	Nepal Rastra Bank
PCI	:	Per Capital Income
RE	:	Regular Expenditure
TD	:	Total Debt
TDS	:	Total Debt Servicing
TFD	:	Total Foreign Debt
TR	:	Total Revenue
UDCs	:	Under Developed Countries
UNDP	:	United Nations Development Program
WB	:	World Bank
WHO	:	World Health Organization
XGS	:	Export Goods and Services