

AGRICULTURAL FINANCING AND ECONOMIC GROWTH IN NEPAL

A Thesis
Submitted to the
Central Department of Economics
Faculty of Humanities and Social Sciences, Tribhuvan University
in Partial Fulfillment of the Requirements for the
Degree of Master of Arts
in
Economics

By
Rabin Khadka
Roll No.: 102/072
Regd. No. : 5-2-33-140-2010
Central Department of Economics
Tribhuvan University
Kirtipur, Kathmandu, Nepal
February, 2020

LETTER OF RECOMMENDATION

This thesis entitled "**Agricultural Financing and Economic Growth in Nepal**" has been prepared by **Rabin Khadka** under my supervision. I hereby, recommend this thesis for examination by the Thesis Committee as a partial fulfilment of the requirements for the degree of Master of Arts in Economics.

Tara Prasad Bhusal
Associate Professor
Supervisor
Central Department of Economics

Date: 2076/09/03 (B.S.)

APPROVAL LETTER

We certify that this thesis entitled "**Agricultural Financing and Economic Growth in Nepal**" submitted by **Rabin Khadka** to Central Department of Economics, Faculty of Humanities and Social Sciences Tribhuvan University in partial fulfilment of the requirements for the degree of Masters of Arts in Economics has been found satisfactory in scope and quality. We here by accept this thesis as a part of the said degree.

THESIS COMMITTEE

Prof. Kushum Shakya, Ph. D.
(Head of the Department)

Prof. Sanjaya Acharya, Ph.D.
(External Examiner)

Tara Prasad Bhusal
Associate Professor
(Supervisor)

Date: 2076/09/24 (B.S.)

ACKNOWLEDGEMENTS

Firstly, I wish to express my sincere gratitude to my supervisor **Tara Prasad Bhusal** for providing me an opportunity to conduct this study under her guidance on the subject of my interest. I am very much thankful for her valuable suggestion, encouragement and guidance while supervising my research work.

Likewise, I am grateful to the respected Head of the Department Prof. Dr. Kushum Shakya. I would like to express my sincere thanks to the respected teachers and the staffs of this department for their suggestion, help and co-operation.

I am highly indebted to all the staff of MoF and MoA for providing valuable information during the research period survey. I am also thankful to the staffs of the Central Library for providing me the secondary materials for my research work.

I would also like to be grateful to my father, mother and elder brother and all my friends for their support, encouragement for the accomplishment of this thesis.

Rabin Khadka

TABLE OF CONTENTS

	Page no.
<i>Letter of Recommendation</i>	<i>i</i>
<i>Approval Letter</i>	<i>ii</i>
<i>Acknowledgements</i>	<i>iii</i>
<i>Table of Contents</i>	<i>iv</i>
<i>List of Tables</i>	<i>vi</i>
<i>List of Figures</i>	<i>vii</i>
CHAPTER – I : INTRODUCTION	1-14
1.1 Background of the Study	1
1.2 Statement of the Problem	9
1.3 Objectives of the Study	11
1.4 Hypothesis of the Study	11
1.5 Significance of the Study	12
1.6 Limitations of the Study	13
1.7 Organization of the Study	13
CHAPTER – II : REVIEW OF LITERATURE	15-30
2.1 Theoretical Concept	15
2.2 Empirical Review	21
2.2.1 International Context	21
2.2.2 Nepalese Context	25
2.3 Research Gap	30
CHAPTER - III : RESEARCH METHODOLOGY	31-39
3.1 Theoretical Framework	31
3.2 Research Design	32
3.3 Nature and Sources of Data	32
3.4 Study Period	33
3.5 Tools and Methods of Data Collection	33
3.6 Data Organization and Processing	33
3.7 Methods of Data Analysis	34
3.8 Model Specification	34
3.9 Variable Specification	36
CHAPTER - IV : DATA PRESENTATION AND ANALYSIS	40-74
4.1 Status of Economic Growth and Financing in the Agricultural Sector	40

4.1.1	Economic Growth	41
4.1.2	Gross Domestic Product (GDP)	43
4.1.3	Financing in the Agricultural Sector	46
4.1.4	Flow of Agricultural Foreign Aid	50
4.1.5	Total Labor Force	52
4.1.6	Export Status of Oil Seeds	54
4.1.7	Export Status of Coffee	57
4.1.8	Export Status of Meat	59
4.2	Regression Analysis	62
4.2.1	Impact of Agricultural financing on economic Growth	64
4.2.2	Impact of Foreign Aid on economic Growth	64
4.2.3	Impact of Labor force on economic growth	64
4.2.4	Impact of coffee exports on economic growth	65
4.2.5	Impact of oilseed exports on economic growth	66
4.2.6	Impact of Meat exports on economic growth	67
4.3	Major Causes Affecting Agricultural Production	68
4.3.1	Weather	68
4.3.2	Improved Technology	68
4.3.3	Natural Disaster	69
4.3.4	Chemical Fertilizer	69
4.3.5	Irrigation	69
4.3.5	Agricultural Credit	70
4.3.6	Investment for Small Farmer Development	70
4.4	Major Challenges of Economy	72
CHAPTER – V : SUMMARY, CONCLUSION AND		
RECOMMENDATIONS		75-78
5.1	Summary	75
5.2	Conclusion	76
5.3	Recommendations	77
REFERENCES		
APPENDICES		

LIST OF TABLES

TABLE NO.	TITLE	PAGE NO.
Table 3.1	: Variables and Expected Signs	39
Table 4.1	: Gross Domestic Product Trend	44
Table 4.2	: Financing in the Agricultural Sector	47
Table: 4.3	: Trends of Agricultural Foreign Aid	51
Table: 4.4	: Role of Remittance Inflows to GDP for Nepal	53
Table 4.5	: Export Status of Oil Seeds	55
Table 4.6	: Export Status of Coffee	58
Table 4.7	: Export Status of Meat	59
Table 4.8	: Long run relationship between agricultural financing and economic growth	63
Table 4.9	: Supply Situation of Agriculture Inputs	38

LIST OF FIGURES

FIGURE NO.	TITLE	PAGE NO.
Figure 3.1	Conceptual Frame Work	32
Figure 4.1	Gross Domestic Product Trend	45
Figure 4.2	Financing in the Agricultural Sector	49
Figure 4.3	Trends of Agricultural Foreign Aid	52
Figure: 4.4	Remittance Inflows to GDP for Nepal	54
Figure 4.5	Export Status of Oil Seeds	56
Figure 4.6	Export Status of Coffee	59
Figure 4.7	Export Status of Meat	61