

**AN ANALYSIS OF STRUCTURE AND PATTERN  
OF BUDGET OF NEPAL**

**Submitted By:**

**Ambhu Prasad Gupta  
Campus Roll No. 361/65  
Exam Roll No. 150030  
T.U. Regd. No. 7-1-481-4-2005  
Thakur Ram Multiple Campus  
Birgunj, Parsa.**

**A Thesis Submitted to  
office of the dean,  
Faculty of Management  
Tribhuvan University**

**In partial fulfillment of the requirements for the  
Degree of Master of Business Studies (M.B.S.)  
Birgunj, Parsa Nepal  
2013**

## **RECOMMENDATION**

This is to certify that the thesis

Submitted by:  
Ambhu Prasad Gupta

Entitled  
**Analysis of Structure & Pattern of Budget of Nepal**

has been prepared as approved by this Department in the prescribed format of the Faculty of Management. This thesis is forwarded for examination.

.....  
Mr. Avinash Prasad Singh  
(Thesis Supervisor)

.....  
Dr. Deepak Shakya  
(Chairperson, Research Committee)

Date:-.....

.....

Campus Chief  
(Mr. Lalan Dubedi)  
T.R.M. Campus, Birgunj

## **VIVA – VOCE SHEET**

We have conducted the viva – voce examination of the thesis

Submitted by:  
**Ambhu Prasad Gupta**

Entitled:  
**Analysis of Structure & pattern of Budget of Nepal**

And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for the  
**Master’s Degree in Business Studies (MBS)**

### **Viva – Voce Committee**

Head of Research Department.....

Member (Thesis Supervisor).....

Member (External Expert).....

Date: -.....

## DECLARATION

I hereby declare that the work reported in this thesis entitled “Profit Planning and Control of Government Corporations: A Case Study of Salt Trading Corporation Limited” submitted to the office of Dean, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment for the requirements of Master’s Degree in Business Studies (MBS) under the supervision of Asso. Prof. Avinash Prasad Singh of Thakur Ram Multiple Campus, Birgunj.

Date:-.....

.....

Ambhu Prasad Gupta  
T.R.M.Campus,Birgunj  
Roll No.361/065  
Exam Roll No. 150030  
Thakur Ram Multiple Campus

## **ACKNOWLEDGEMENT**

The completion of this thesis is a matter of great pleasure for me. It has fulfilled the partial requirement for the degree of master of business studies as well as helped to enhance my practical knowledge on the subject matter. It wouldn't have been completed without invaluable support, supervision, and suggestions from my teachers, elders, colleagues, and friends. Therefore, I would like to share the joy with all who owe equal credit for it.

First of all my sincere gratitude goes to my honorable teachers as well as the thesis supervisors, Asso. Prof. Avinash Singh who helped me by providing significant ideas, encouragement and techniques besides their invaluable time.

I would like to thank the library and all other staffs of Thakur Ram Multiple Campus for providing me timely cooperation.

In the same way, I am also thankful to my parents, brother for their endless encouragement and facilitation in preparing this Thesis.

Date :- .....

Ambhu Prasad Gupta

## TABLE OF CONTENTS

	Page
<b>CHAPTER 1. INTRODUCTION</b>	
1.1 General Introduction	1
1.2 Statement of the Problem	3
1.3 Objectives of the Study	5
1.4 Significance of the Study	5
1.5 Limitations of the Study	6
1.6 Organization of the Study	7
<b>CHAPTER 2. LITERATURE REVIEW</b>	
2.1 Budget: Theoretical Context	8
2.1.1 Theoretical Aspect of Budget Structure	8
2.1.2 Classification of Budget	9
2.1.3 Budgeting and Planning	16
2.1.4 Components of the Budget	17
2.1.5 Deficit Financing	22
2.2 Nepalese Context	23
<b>CHAPTER 3. RESEARCH METHODOLOGY</b>	
3.1 Conceptual Framework	28
3.2 Research Design	28
3.3 Selection of the Study Period	29
3.4 Sources of Data and Information	29
3.5 Analysis and Interpretation of Data	29
3.6 Definition of the Research Variable	30
<b>CHAPTER 4. NEPALESE BUDGETING SYSTEM</b>	
4.1 General	31
4.2 Historical Background	31
4.2.1 Before 1951	32
4.2.2 After 1951	32
4.2.3 After 1990	35
4.3 The Formulation Process	36
4.3.1 Preparation	37
4.3.2 Enactment/ Legislation	38
4.3.3 Execution	39
4.3.4 Audit	39
4.3.5 Weakness of budget formulation in Nepal	40
4.4 Budgetary Reforms and Policies	41
4.4.1 Structural Adjustment Program (SAP) and Enhanced Structural Adjustment Facility (ESAF)	41
4.4.2 Immediate Action Plan (IAP) and Medium Term Expenditure	42

Framework (MTEF)	
4.4.3 Three Years Interim Plan (2064/65 to 6066/67)	43

## **CHAPTER 5. AN ANALYSIS OF STRUCTURE OF BUDGET AND ITS COMPONENTS**

5.1 Gross Domestic Product	46
5.2 Components of Nepalese Budget	50
5.2.1 Government Expenditure	50
5.2.2 Trend of Government Expenditure	51
5.2.3 Pattern of Government Expenditure	55
5.2.3.1 Pattern of Recurrent Expenditure	55
5.2.3.2 Pattern of Capital Expenditure	56
5.2.3.3 Pattern of Principal Repayment Expenditure	58
5.2.4 Government Revenue	59
5.2.5 Trend of Government Revenue	59
5.2.5.1 Share of Tax and Non-Tax Revenue in Total Revenue and GDP	60
5.2.5.2 Pattern of Tax Revenue	64
5.2.5.3 Patter of Non-Tax Revenue	66
5.2.6 Earmarking of Funds	69
5.2.7 Budgetary Deficit and Sources of Financing	69
5.2.7.1 Trend of Overall Deficit and Budget Deficit	70
5.2.7.2 Sources of Deficit financing	72
5.2.7.3 Pattern of External Sources	74
5.2.7.4 Pattern of Internal Sources	76
5.2.8 Debt Servicing	78

## **CHAPTER 6. SUMMARY, CONCLUSION AND RECOMMENDATION**

6.1 Summary and Conclusion	81
6.2 Recommendation	85

## **BIBLIOGRAPHY**

## **APPENDIX-I**

## LIST OF TABLES

	Page	
Table 1.1	Resource gap in Nepalese economy	4
Table 1.2	Pattern of Government Expenditure	4
Table 4.1	Budgeted expenditure for the Three years interim plan	44
Table 4.2	Sources of Financing in Three years interim plan	45
Table 5.1	Gross Domestic Product and its Sectoral Contributions	47
Table 5.2	Forecast of Total GDP and its Sectoral Contribution	48
Table 5.3	Population Projections for Nepal	49
Table 5.4	Estimated Per Capita GDP (in Rs.)	49
Table 5.5	Trend of Government expenditure and its share on GDP	52
Table 5.6	Forecasted value of total expenditure and its components	55
Table 5.7	Recurrent Expenditure under Different Heads	55
Table 5.8	Capital Expenditure under Different Heads	57
Table 5.9	Principal Repayment under Different Heads	58
Table 5.10	Trend of Total Revenue	60
Table 5.11	Contribution of Tax and Non- Tax Revenue	61
Table 5.12	Forecast of Tax and Non-tax revenue	63
Table: 5.13	Tax Revenue under Different heads	64
Table 5.14	Percentage of Tax Revenue under Different Heads	65
Table: 5.15	Non- Tax Revenue under Different Heads	67
Table 5.16	Percentages of Non- Tax Revenue under Different heads	68
Table 5.17	Trend of Fiscal Deficit	70
Table 5.18	Budget Deficit and Source of Financing	72
Table 5.19	Contribution of Foreign Assistance	74
Table 5.20	Contribution of Internal Sources	77
Table 5.21	Debt Servicing	79

## LIST OF FIGURES

		<b>Page</b>
Figure 5.1	Gross Domestic Product and its Sectoral Contribution	47
Figure 5.5	Trend of Recurrent Expenditure, Capital Expenditure Principal Repayment Expenditure and Total Expenditure	53
Figure 5.11	Trend of Total Revenue, Tax Revenue and Non-tax Revenue	62
Figure 5.17	Overall and Budget Deficit	71
Figure 5.18	Sources of Deficit Financing	73
Figure 5.19	Foreign Assistance	75

## LIST OF ACRONYMS

<b>ADB</b>	: Asian Development Bank
<b>ADO</b>	: Asian Development Outlook
<b>CBS</b>	: Central Bureau of Statistics
<b>CEDA</b>	: Center for Economic Development and Administration
<b>ESAF</b>	: Enhanced Structural Adjustment Facility
<b>FCGO</b>	: Financial Comptroller General Office
<b>FY</b>	: Fiscal Year
<b>GDP</b>	: Gross Domestic Product
<b>GON</b>	: Government of Nepal
<b>IAP</b>	: Immediate Action Plan
<b>IMF</b>	: International Monetary Fund
<b>MOF</b>	: Ministry of Finance
<b>MTEF</b>	: Medium Term Expenditure Framework
<b>NPC</b>	: National Planning Commission
<b>NRB</b>	: Nepal Rastra Bank
<b>PRS</b>	: Poverty Reduction Strategy
<b>PPBS</b>	: Program and Performance Budgeting System
<b>SAP</b>	: Structural Adjustment Program
<b>VAT</b>	: Value Added Tax
<b>WB</b>	: World Bank