

**DEBT MANAGEMENT ANALYSIS OF NEPAL'S
PUBLIC DEBT**

A Thesis

**Submitted to the Central Department of Economics,
Tribhuvan University, Kirtipur, Kathmandu, Nepal**

in Partial Fulfilments of the Requirements

for the Degree of

MASTERS OF ARTS

in

ECONOMICS

By

ANANTA DHAKAL

Roll Number 206/2066

T.U. REGD. NUMBER 6-1-48-2416-2002

Central Department of Economics

Kathmandu, Nepal

September 2019



Tribhuvan University
Faculty of Humanities and Social Sciences
University Campus
CENTRAL DEPARTMENT OF ECONOMICS
Office of the Head of the Department
Kirtipur, Kathmandu, Nepal

Ref. No.:

RECOMMENDATION LETTER

The thesis entailed “**Debt Management Analysis of Nepal’s Public Debt**” has been prepared by AnantDhakal in partial fulfilment of the requirements for the degree of Master of Arts in Economics under my supervision and guidance. I forward it with recommendation for approval.

.....

Uma Shankar Adhikari

Thesis Supervisor

Central Département of Economics

TribhuvanUniversity, Kirtipur

Kathmandu, Nepal

Date: September 2019



Tribhuvan University
Faculty of Humanities and Social Sciences
University Campus
CENTRAL DEPARTMENT OF ECONOMICS
Office of the Head of the Department
Kirtipur, Kathmandu, Nepal

Ref. No.:

APPROVAL LETTER

This thesis entitled “**Debt Management Analysis of Nepal’s Public Debt**” submitted by Ananta Dhakal to the Central Department of Economics, Faculty of Humanities and Social Sciences, Tribhuvan University, in partial fulfilment of the requirements for the Degree of MASTER OF ARTS in ECONOMICS has been found satisfactory in scope and quality. Therefore, we accept this thesis as part of the degree.

Therefore, we accept this thesis as a part of the said,

Thesis Committee

Prof. Dr. KushumShakya
Head of Economics Department

.....
External Examiner

Uma Shankar Adhikari
Thesis Supervisor

Date: _____

ACKNOWLEDGEMENTS

This thesis entitled “**Debt Management Analysis of Nepal’s Public Debt**” has been prepared for partial fulfilment of the requirement for the Master's Degree in Economics.

I am very pleased to take this opportunity to express my dense of gratitude to my thesis supervisor Uma Shankar Adhikari, Central Department of Economics for his valuable guidance, constructive suggestions and encouragement without which this work would never have completed.

Equally, I am grateful to Prof. Dr. KushumShakya, Head, Central Department of Economics. I am highly indebted to my respected Madam. Similarly, I also feel privileged to express my gratitude to all the teachers of Central Departments of Economics for their gracious response to my queries.

I am very much thankful to all those wonderful people whose valuable suggestions, inspirations and guidance have helped me in completion of this thesis. I would like to convey my deepest gratitude to all of them.

My family deserves special thanks for their continuous support and encouragement that they have bestowed upon me on whose support I have been able to come this far.

I am also very grateful to all my colleagues, seniors, and friends who co-operated me in collecting the required data for this report. Especially thanks to the staffs of Ministry of Finance, Financial Comptroller General Office and Nepal Rastra Bank who help me in collecting different and essential materials to prepare this report.

I am sole responsible for any errors that might have occurred during completion of my research work.

AnantaDhakal

TABLE OF CONTENTS

| | Page No. |
|-----------------------------------------------------|-------------------------------------|
| RECOMMENDATION LETTER | i |
| APPROVAL LETTER..... | ii |
| ACKNOWLEDGEMENTS | iii |
| TABLE OF CONTENTS..... | iv |
| LIST OF TABLES | vi |
| LIST OF FIGURES | vii |
| ABBREVIATIONS/ACRONYMS..... | viii |
| CHAPTER – ONE : INTRODUCTION..... | Error! Bookmark not defined. |
| 1.1 Background of the Study..... | Error! Bookmark not defined. |
| 1.2 Statement of Problem | Error! Bookmark not defined. |
| 1.3 Objectivesof the Study | Error! Bookmark not defined. |
| 1.4 Significance of the Study | Error! Bookmark not defined. |
| 1.5 Limitation of the Study | Error! Bookmark not defined. |
| 1.6 Organization of the Study | Error! Bookmark not defined. |
| CHAPTER–TWO : LITERATURE REVIEW..... | Error! Bookmark not defined. |
| 2.1 Conceptual Review | Error! Bookmark not defined. |
| 2.2 Theoretical Review | Error! Bookmark not defined. |
| 2.3 International Review | Error! Bookmark not defined. |
| 2.4 Nepalese Context..... | Error! Bookmark not defined. |
| 2.4.1 Article Review | Error! Bookmark not defined. |
| 2.4.2 Thesis Review..... | Error! Bookmark not defined. |
| 2.5 Research Gap | Error! Bookmark not defined. |
| CHAPTER – THREE : RESEARCH METHODOLOGY | Error! Bookmark not defined. |
| 3.1 Research Design..... | Error! Bookmark not defined. |
| 3.2 Population and Sample..... | Error! Bookmark not defined. |
| 3.3 Sources of Data | Error! Bookmark not defined. |
| 3.4 Method of Data Analysis | Error! Bookmark not defined. |
| 3.4.1 Financial Tools | Error! Bookmark not defined. |
| 3.4.2 Statistical Tools | Error! Bookmark not defined. |

CHAPTER –FOUR : PRESENTATION AND ANALYSIS OF DATAError!
Bookmark not defined.

- 4.1 Global Context**Error! Bookmark not defined.**
- 4.2 Regional Scenario**Error! Bookmark not defined.**
 - 4.2.1 Existing Public Debt Scenario**Error! Bookmark not defined.**
- 4.3 An Overview of Nepalese Economy**Error! Bookmark not defined.**
- 4.4 Public Debt Situation in Nepal.....**Error! Bookmark not defined.**
 - 4.4.1 Public Debt in Government Financing**Error! Bookmark not defined.**
 - 4.4.2 Composition of Public Debt Disbursement .**Error! Bookmark not defined.**
 - 4.4.3 Composition of Foreign Debt Liability**Error! Bookmark not defined.**
 - 4.4.4 Composition of Domestic Debt Liability**Error! Bookmark not defined.**
- 4.5 Trend and Structure of Public Debt in Nepal**Error! Bookmark not defined.**
 - 4.5.1. Government Borrowing and Annual Growth Rate... **Error! Bookmark not defined.**
 - 4.5.2 Financing of Fiscal Deficit**Error! Bookmark not defined.**
 - 4.5.3 Different Scenarios of Resource Gap**Error! Bookmark not defined.**
 - 4.5.4 Outstanding of Public Debt in Nepal.....**Error! Bookmark not defined.**
 - 4.5.5 Resource Gap as Percentage of GDP**Error! Bookmark not defined.**
 - 4.5.6 Source of Internal Borrowing**Error! Bookmark not defined.**
 - 4.5.7 Structure of Internal Net Outstanding Debt in Nepal **Error! Bookmark not defined.**
 - 4.5.8 Structure of External Debt in Terms of Disbursement by Major Source**Error! Bookmark not defined.**
- 4.6 Burden of Public Debt in Nepal**Error! Bookmark not defined.**
 - 4.6.1 Introduction**Error! Bookmark not defined.**
 - 4.6.2 Outstanding Total Debt**Error! Bookmark not defined.**
 - 4.6.3 Major Economic Indicator with GDP.....**Error! Bookmark not defined.**
 - 4.6.4 Issues of Debt Servicing in Nepal**Error! Bookmark not defined.**
 - 4.6.5 Ownership Pattern of Internal Debt Servicing Situation ..**Error! Bookmark not defined.**
 - 4.6.6 Trade and Balance of Payment.....**Error! Bookmark not defined.**
 - 4.6.7 Issues of Foreign Loans**Error! Bookmark not defined.**
 - 4.6.7.1 Background**Error! Bookmark not defined.**
 - 4.6.7.2 Outstanding External Debt and GDP**Error! Bookmark not defined.**

4.7 Major Findings **Error! Bookmark not defined.**

**CHAPTER – FIVE : SUMMARY, CONCLUSION AND
RECOMMENDATIONS.....Error! Bookmark not defined.**

5.1 Summary **Error! Bookmark not defined.**

5.2 Conclusion..... **Error! Bookmark not defined.**

5.3 Recommendations **Error! Bookmark not defined.**

BIBLIOGRAPHYError! Bookmark not defined.

LIST OF TABLES

Page No.

| | |
|-------------------------------------------------------------------------------------------------------|-------------------------------------|
| Table 4.1 : Selected Macroeconomic Indicators..... | Error! Bookmark not defined. |
| Table 4.2 : Sources of Financing for Capital Expenditures and Principal Repayment | Error! Bookmark not defined. |
| Table 4.3 : Composition of Public Debt Disbursement | Error! Bookmark not defined. |
| Table 4.4 : Composition of Foreign Debt Liability | Error! Bookmark not defined. |
| Table 4.5 : Composition of Domestic Debt Liability .. | Error! Bookmark not defined. |
| Table 4.6 : Government Borrowing and Annual Growth Rate.. | Error! Bookmark not defined. |
| Table 4.7 : Internal and External Debt as Percent of Fiscal Deficit . | Error! Bookmark not defined. |
| Table 4.8 : Different Scenarios of Resource Gap | Error! Bookmark not defined. |
| Table 4.9 : Outstanding of Public Debt | Error! Bookmark not defined. |
| Table 4.10 : Resources Gap as Percentage of GDP | Error! Bookmark not defined. |
| Table 4.11: Sources of Internal Borrowing from Banking and Non-Banking System | Error! Bookmark not defined. |
| Table 4.12 : Structure of Internal Net Outstanding Debt..... | Error! Bookmark not defined. |
| Table 4.13 : Structure of External Debt in Terms of Disbursement by Major Sources | Error! Bookmark not defined. |
| Table 4.14 : Outstanding Total Debt..... | Error! Bookmark not defined. |
| Table 4.15 : Donor Wise Outstanding External Debt .. | Error! Bookmark not defined. |
| Table 4.16 : Ratio of major Economic indicators with GDP..... | Error! Bookmark not defined. |
| Table 4.17 : Share of External and Internal Servicing in Total Debt Servicing .. | Error! Bookmark not defined. |
| Table 4.18 : Share of Interest and Principal Payment in Total Debt Servicing ... | Error! Bookmark not defined. |
| Table 4.19 : Share of Internal Debt Servicing in Total Revenue, Regular, Expenditure and GDP | Error! Bookmark not defined. |
| Table 4.20 : Outstanding of Public Debt, Development Expenditure and Debt Servicing..... | Error! Bookmark not defined. |
| Table 4.21 : Foreign Trade Situation | Error! Bookmark not defined. |
| Table 4.22 : Outstanding External Debt and GDP..... | Error! Bookmark not defined. |

LIST OF FIGURES

| | Page No. |
|---------------------------------------------------------------------------------------------------|-------------------------------------|
| Figure 4.1 : Sources of Financing..... | Error! Bookmark not defined. |
| Figure 4.2 : Composition of Public Debt..... | Error! Bookmark not defined. |
| Figure 4.3: Composition of Foreign Debt Liability | Error! Bookmark not defined. |
| Figure 4.4 : Trend of Total, External, Internal Debt | Error! Bookmark not defined. |
| Figure 4.5 : Trend of Total Debt | Error! Bookmark not defined. |
| Figure 4.6 : Trend of Fiscal Deficit, Total Debt, Internal Debt, External Debt | Error! Bookmark not defined. |
| Figure 4.7 : Trend of Government Revenue, Expenditure, Revenue Deficit, Foreign Grants | Error! Bookmark not defined. |
| Figure 4.8 : Trend of Total Outstanding, External Outstanding, Internal Outstanding Debt | Error! Bookmark not defined. |
| Figure 4.9 : Trend of GDP, Revenue Deficit, Fiscal Deficit. | Error! Bookmark not defined. |
| Figure 4.10: Trend of Internal Net Outstanding Debt | Error! Bookmark not defined. |
| Figure 4.11: Trend of Multilateral and Bilateral Debt | Error! Bookmark not defined. |
| Figure 4.12: Debt Outstanding to GDP Ratio | Error! Bookmark not defined. |
| Figure 4.13: Trend of Total, External, Internal Debt Servicing | Error! Bookmark not defined. |
| Figure 4.14: Trend of Total Debt Servicing, Principal Payments, Interest Payments | Error! Bookmark not defined. |
| Figure 4.15: Trend of Total Public Debt, Total Debt Servicing, Development Expenditure | Error! Bookmark not defined. |
| Figure 4.16: Trend of Export, Import and GDP | Error! Bookmark not defined. |

ABBREVIATIONS/ACRONYMS

| | | |
|--------|---|----------------------------------------------------|
| ADB | : | Asian Development Bank |
| CBS | : | Central Bureau of Statistics |
| FCGO | : | Financial Comptroller General Office |
| GDP | : | Gross Domestic Product |
| HIPC | : | Highly Indebted Poor Countries |
| IFAD | : | International Fund for Agriculture Development |
| IMF | : | International Monetary Fund |
| MoF | : | Ministry of Finance |
| NRB | : | Nepal Rastra Bank |
| SAARC | : | South Asian Association for Regional Cooperation |
| UNCTAD | : | United Nations Conference on Trade and Development |
| WB | : | The World Bank |

