

**ROLE OF FOREIGN DIRECT INVESTMENT ON  
EMPLOYMENT GENERATION IN NEPAL**

**A Thesis  
Submitted to the  
Central Department of Economics  
Tribhuvan University, Kirtipur, Kathmandu, Nepal  
in Partial Fulfillment of the Requirements  
for the Degree of  
MASTERS OF ARTS  
in  
ECONOMICS**

**By  
RAMESH BAIRAGI  
Exam Roll No.:100/068  
TU. Regd. No.: 6-1-318-68-2001  
Tribhuvan University**

**Central Departments of Economics**

**Kirtipur, Kathmandu**

**March 2019**

**LETTER OF RECOMMENDATION**

The thesis entitled **ROLE OF DIRECT INVESTMENT ON EMPLOYMENT GENERATION IN NEPAL** has been prepared by **Mr. Ramesh Bairagi** under my supervision in Partial Fulfillment of the Requirements for the Degree of Master of Arts in Economics.

I forward it with recommendation for approval.

.....

Prof. R. K. Shah, Ph.D.

(Thesis Supervisor)

**Date: 2075/11/26 BS**

## **APPROVAL LETTER**

The Thesis entitled **ROLE OF FOREIGN DIRECT INVESTMENT ON EMPLOYMENT GENERATION IN NEPAL** prepared by **Mr. Ramesh Bairagi** has been accepted as a partial fulfillment of the requirements for the Degree of Master of Arts in Economics.

### **Research Committee**

.....  
Prof.KushumShakya, Ph.D.  
(Head of the Department)

.....  
.....  
(External Examiner)

.....  
Prof.R. K. Shah, Ph.D.  
(Thesis Supervisor)

**Date:**

## **ACKNOWLEDGEMENTS**

This work is the outcome of incisive and constant guidance of my supervisor, Prof. Dr. Ram Khelawan Shah, Central Department of Economics. It would have not been possible for me to complete my thesis without his regular supervision, timely advice and continuous encouragement. So, I would like to express my hearty thanks and sincere gratitude to him.

I express sincere thanks to all the members of Central Library of Tribhuvan University who helped me directly and indirectly in the course of collecting research materials. Similarly, my thanks also go to the staffs of MoF and NRB for providing me required data and information for this study.

I would like to thank all other friends for their help during preparation of statistical database. I am indebted to my parents Mr. Krishna Das Bairagi and Mrs. Bishnu Adhikari Bairagi and my lovely life partner Mrs. Tara Kumari Sharma and my son Mr. Rohit Sharma for their encouragement and continuous support to accomplish this work.

I have also benefitted significantly from the co-operation and discussions with my friends Mr. Devendra Paudel and Ms. Amita Baniya. I wish to thank to all my colleagues for good wishes to complete this work successfully. Last but not the least, I would like to thank M/S Reena Maharjan for quick and better computer typing.

**Ramesh Bairagi**

## **TABLE OF CONTENTS**

<b>LETTER OF RECOMMENDATION</b>	<b>i</b>
<b>APPROVAL LETTER</b>	<b>ii</b>
<b>ACKNOWLEDGEMENTS</b>	<b>iii</b>
<b>TABLE OF CONTENTS</b>	<b>iv</b>
<b>LIST OF TABLES</b>	<b>vi</b>
<b>LIST OF FIGURES</b>	<b>vii</b>
<b>ABBREVIATIONS/ACRONYMS</b>	<b>viii</b>
<b>CHAPTER I: INTRODUCTION</b>	<b>1-8</b>
1.1 Background of the Study	1
1.2 Statement of the Problem	3
1.3 Objectives of the Study	4
1.4 Significance of the Study	5
1.5 Limitations of the Study	6
1.6 Definition of Key Terms Used in the Study	6
1.7 Organization of the Study	8
<b>CHAPTER II: REVIEW OF LITERATURE</b>	<b>9-33</b>
2.1 Conceptual Framework	9
2.2 FDI Policy in Nepal	9
2.3 International Review	10
2.4 National Review	25
2.5 Research Gap	33
<b>CHAPTER III: RESEARCH METHODOLOGY</b>	<b>34-36</b>
3.1 Research Design	34
3.2 Nature and Sources of Data	34

3.3	Tools and Techniques of Data Collection	34
3.4	Data Processing Procedures	35
3.5	Methods of Data Analysis	35
3.6	Analysis and Interpretation of Data	35
3.7	Dependent and Independent Variables	36
<b>CHAPTER IV: PRESENT STATUS AND STRUCTURE OF FOREIGN DIRECT INVESTMENT IN NEPAL</b>		<b>37-53</b>
4.1	Status of FDI in Nepal	37
4.2	Inflows of FDI in SAARC Countries	39
4.3	Inflows of FDI in Nepal after Liberalization (1990 Onward)	39
4.4	Inflows of FDI by Scale-wise Industry	40
4.5	FDI Projects in Nepal Year-wise and Growth Rate of FDI	40
4.6	Sector-wise FDI Pattern	43
4.7	Sources of FDI	48
4.8	National Laws for FDI Promotion, Protection, and Regulation	50
<b>CHAPTER V: ROLE OF FOREIGN DIRECT INVESTMENT IN NEPAL</b>		<b>54-60</b>
5.1	Indicators to Assess the FDI	55
5.2	Overview on Potential Sectors to Invest in Nepal	56
<b>CHAPTER VI: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS</b>		<b>61-64</b>
6.1	Summary Findings	61
6.2	Conclusion	62
6.3	Policy Recommendations	63
<b>REFERENCES</b>		<b>65-67</b>

## LIST OF TABLES

<b>Table No.</b>	<b>Title</b>	<b>Page No.</b>
Table 4.1	Trend in FDI Inflows SAARC Countries	39
Table 4.2	Licensed Industries for FDI on Project Cost Basis	40
Table 4.3	Foreign Investment Project in Nepal by Year-wise	41
Table 4.4	FDI Projects Nepal by Category - wise	43
Table 4.5	Foreign Investment Projects in Nepal by Sector-wise	44
Table 4.6	Inflows of FDI in Different Sectors of Nepal	46
Table 4.7	Country-wise FDI Projects in Nepal	49
Table 4.8	FDI flows by Region	53

## **LIST OF FIGURES**

<b>Figure No.</b>	<b>Title</b>	<b>Page No.</b>
Figure 4.1	Foreign Investment Projects in Nepal by Year-wise	42
Figure 4.2	FDI Projects in Nepal by Sector-wise	45

## **ABBREVIATIONS/ACRONYMS**

ASEAN	-	Association of South-east Asian Nations
BEPZA	-	Bangladesh Export Processing Zone Authority
BIPPA	-	Bilateral Investment, Promotion and Protection Agreement
CBS	-	Central Bureau of Statistics
CEA	-	Center for Economic Development and Administration
DoI	-	Department of Industry
etc.	-	et cetera
EU	-	European Union
FDI	-	Foreign Direct Investment
FITTA	-	Foreign Investment and Technology Transfer Act.
FNCCI	-	Federation of Nepalese Chambers of Commerce and Industries
FTAs	-	Free Trade Agreements
FY	-	Fiscal Year
GATS	-	General Agreement on Trade and Service
GDP	-	Gross Domestic Product
GoN	-	Government of Nepal
GW	-	Giga Watt
IBN	-	Investment Board of Nepal
IDP	-	Investment Development Path
ILO	-	International Labor Organization
IMF	-	International Monetary Fund
INGOs	-	International Non-governmental Organizations

LDCs	-	Least-Developed Countries
MFNs	-	Most Favored Nations
MNC	-	Multi-national Country
MRT	-	Mass Rapid Transit
MW	-	Megha Watt
NEA	-	Nepal Electricity Authority
NGOs	-	Non-governmental Organizations
NIDC	-	National Industrial Development Cooperation
NPC	-	National Planning Commission
NRB	-	Nepal Rastra Bank
NRs.	-	Nepalese Rupees
NTIS	-	National Technical Information Service
OECD	-	Organization of Economic Cooperation and Development
OLI	-	Ownership Location and Interlization
OWs	-	One Window Service
PLC	-	Product Life Cycle
SAARC	-	South Asian Association for Regional Cooperation
SEZs	-	Special Economic Zones
SWOT	-	Strengths, Weaknesses, Opportunities and Threats
TNCs	-	Transnational Companies
TRIMs	-	Trade Related Investment Measures
TU	-	Tribhuvan University
UK	-	The United Kingdome
UN	-	United Nations
UNCTAD	-	United Nations Conference on Trade and Development

US	-	United States
WEFs	-	World Economic Forums
WTO	-	World Trade Organization