

# CHAPTER I

## INTRODUCTION

### 1.1 Background

Stimulating economic growth and stability is the focus targets of developing countries. Very low level of real income is not adequate to meet the higher demand of investment in the different sectors of economy such as infrastructure development, administrator management, providing different kinds of services to the people and maintaining the relationship with the rest of the world. Insufficient use of capital equipments and inefficiency to use them cause lower productivity and lower income as well. Moreover, insufficient use of capital equipment is the testimony of low potential of saving in the economy which is again the result of vicious circle in the economy as the road of economic development is paved with vicious circles.

Budget deficit is considered to be important policy of developing countries. The government can manage the budget deficit using the different ways. Among the ways public debt is one of important instrument to increase the volume of budget. In both developed and developing countries, increasing taxation has certain limits as taxation starts to show adverse effect in the economy after certain level. Similarly creating new money invites inflation after a certain level of economy. Deficit financing from the foreign debt increases the net foreign asset, which ultimately increases the liquidity in the economy. On the other hand, the increasing liability of repayment of the foreign debt is another problem for the small and resource scare economy.

For the economic development of underdeveloped countries, public borrowing is a useful instrument. The government can take loan from internal as well as external sources. The scope of domestic borrowing is very limited because of scare internal sources. At the same time, most shows only external borrowing remains the alternative.

Nepal is facing a serious problem of growing financial resource gap and the government cannot fully depend upon the tax revenue, surplus of public undertaking and deficit financing and internal financial resources. Due to the different liabilities of government, the volume of the Public expenditure has been increasing and so the budgetary deficit has also been increasing. To fulfill this increasing deficit, government has been raising funds from both internal and external sources. External source includes foreign loan and grants from bilateral and multilateral agencies.

Classical economists had generally negative attitude towards the public debt. They argued that the government should minimize the role in an economy. They claimed that public debt creates burden on the economy due to its unproductive nature. The classical economists like J.B. Say, J.S. Mill, T.R Malthus have given their argument saying that the state has to perform its limited activities in maintenance of law and order, justice and social security.

After the great depression of 1930's J.M. Keynes who was in favor of increasing government role in the economic activities, emerged with the new way of thinking. According to him there is Capital deficiency internal and external.

Debt is essentially enquired. It needs heavy investment to build social overhead capital of least developed countries like Nepal, which does not sustain economic activities due to the lack of adequate capital.

Post Keynesian also argued supporting Keynesian ideas and views. One of the Post Second World War economists A.P. Learner says, "Public debt maintains that government should borrow only when it wants to make people hold more Bond in place of money" (A. P. Learner 1956).

In this way, Public debt is an important tool for economic development. Required resource has to be borrowed from the individual institution and foreigners. Mobilization of resources for the growing up developmental

activities is extremely difficult task in the underdeveloped countries. To remove the inflationary pressure in the economy, Public debt is important instrument.

## **1.2 Statement of the Problem**

Public debt is one of the weapons to support the deficit financing. Now, the main argument regarding public debt is whether it creates burden in the economy or not. It depends on the nature of investment; productive or unproductive. If it is productive there will not be a burden and if it is unproductive, the situation will get worse by the debt burden to the government.

In the context of Nepal increasing the size of public debt is challenging proposition. In Nepal each and every year budgetary deficit is growing so there is need for effective management of available resources. Government of Nepal needs about 80 percent of the budgetary deficit is financed by external borrowing in most of the fiscal year. The external public debt accounts large share of the total public debt. This shows the Nepal is dependent on foreign debt which has become a serious problem in the economy.

After the public movement of 1990's, Public debt is increasing rapidly but debt servicing capacity is not accompanying the debt burden. The current situation of public debt of Nepal may face debt crisis in the future, so government should take serious attention on above mentioned problems.

## **1.3 Objectives of the Study**

- a. To analyze the trend and structure of public debt.
- b. To examine the burden of public debt in Nepal
- c. To recommend the strategic measures for rational debt management.

## **1.4 Significance of the Study**

Nepal is an underdeveloped country having low per capital income, gross national product and gross domestic product. Deficit financing is the most useful method for promoting economic development. There is low living standard due to low per capital income and poverty unutilized natural resources, lower health and educational status of the people deficiency of capital etc. Resources gap is the burning problem of the underdevelopment economy due to the deficiency of capital therefore public debt is only one solution to fill the gap of capital deficiency. To increase the revenue of the country increased in tax rate can be the option but it is not easy in developing countries because of poor tax payable capacity Especially after 1970 the volume of budgetary deficit has been increasing for meeting these funds from both internal and external sources mainly through bilateral and multilateral agencies.

The study is focused on the trend and structure of public debt necessity of public borrowing and the consequences of debt in the overall performance of economy. As a result, this study is beneficial for researcher, policy maker and general students. It will provide the slight information regarding budgetary system and contribution of debt. This study helps to get knowledge about government borrowing, sources of debt and some of crucial recommendation of public debt in Nepal.

## **1.5 Methodology**

To meet the above-motined objectives, the study has used both quantitative and qualitative tools for the study. The nature of the study is descriptive. The study is based on secondary data.

### **1.5.1 Research Design**

The nature of the research design is descriptive. It is designed to examine the trend, structure and burden of public debt in Nepal. This study shows the trend, structure and burden of public debt in fiscal year 1985/086 to fiscal year 2007/08.

### **1.5.2 Selection of Study Period**

The study of the trends and structure of public debt in Nepal is selected 23 years data from 1985/086 to 2007/08.

### **1.5.3 Nature and Sources of Data**

This study considers descriptive in nature and totally depends upon the secondary data which have been published in books, magazine, reports and journals etc. most of the data are taken from different sources such as:

Publications of Ministry of Finance

Publications of Nepal Rastra Bank

Publications of Central Bureau of Statistics

Publications of Nepal Human Development Report

From these sources, the relevant information like revenue, expenditure, internal and external borrowing and debt servicing ratios are observed.

### **1.5.4 Method of Data Analysis**

The data collected from various sources is processed according to the need of the chapter. The available data from various documents are collected, classified and tabulated according to meet the needs of the chapter. Simple statistical tools like ratio, percentage, average annual growth rate and chart etc, are used for analyzing the data.

## **1.6 Limitation of the Study**

- a. This study is based on secondary data and it has not examined the reliability of the data.
- b. This study covers only the period of 23 years between 1985/086 to 2007/08.
- c. This study has not attempted to examine the effect of public borrowing on macro economic variables, such as money supply, price level, employment, income, etc.

## **1.7 Organization of the Study**

This thesis consists of five chapters in total. The chapter one includes the introduction, statement of the problems, objectives as well as methodology. Chapter second deals with literature review and chapter three describes the trend and structure of public debt. Chapter four covers the burden of public debt in Nepal. And final chapter includes summary, major findings, conclusion and recommendation. At the end it includes a list of annex and bibliography as well.

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.1 Theoretical Concepts Regarding Public Debt**

Public debt is necessarily required to mobilize the unutilized part of natural resources in case of underdeveloped countries. Internally accumulated revenue may not match the highly required investment properly which causes a considerable gap between target level of investment and revenue. Even in the presence of higher potentiality of development, underdeveloped countries are facing the problems of inadequate source of revenue to influence the economy in a desirable size and path.

There are certain reasons behind it that the economy of underdeveloped countries is compelled to have the misfortune of revenue deficiency. It is because there is low rate of saving, investment, income and low living standard due to the lower per-capita income and poverty, unutilized natural resources, lower health and educational condition of the people and deficiency of capital etc.

Tax is also not a prominent weapon to solve the problems of revenue deficiency as the people of those countries have lower tax payable capacity.

Public debt refers to the loans raised by the government within or outside the country. More clearly public borrowing carries the obligation on the part of the government to pay the money back to the persons or institutions from whom it has been received. It has very important role in both the developed and underdeveloped economy since there are the increasing magnitudes of deficit budget taking place in developing countries; it has higher importance than that of the developed ones.

The classical economists were generally against the public borrowing. They assumed that individual, consumer, and the business firm employs the resources more efficiently. They were against the role of the state and they had the philosophy that the Government is best which governs the least. According to them state has to perform its limited activities; maintenance of law and order, justice and social security. Classical economists like J.B. Say, TR Malthus and CG Bastable have the strong faith that “Debt creates burden in the economy because of its unproductive nature” (Harris, 1974).

It does not mean that the classical economist neglect each and every types of government borrowing. They were in the favor of productive use of the government borrowing. They approved the public debt for the productive purpose, that is, for capital projects since the fruits of such projects could be sold to the buyers and debt servicing and repayment of the principal and interest did not necessitate additional taxation. These are called the self liquidating projects. In the words on Musgrave, “Self liquidation projects may be defined narrowly as investment in public enterprises that provide a fee or sales income sufficient to service the debt incurred in their financing or they may increase future income and the tax base. Such projects permit servicing (interest and amortization) of the debt incurred in their financing without requiring an increase in the future level of tax rates” (Musgrave: 1959)

It is not true that classical economists were quite against the public borrowing and they favored taxation in between taxation and borrowing, due to the following reasons:

Deficit financing means an increase in public debt. Since it is an easy method of obtaining income, government is likely to be extravagant and irresponsible consequently, public debt will become a definite burden on the economy. Payment of interest on public debt and refund of the principle will require additional taxation. It might prove to be difficult since government’s power to



tax is not unlimited. Deficit financing might be produce currency deterioration and price inflation.

During the Great depression of 1930's, J.M. Keynes came with different ideas and the thoughts of classical economists. He advocated for increasing government role in the economic activities by adoption deficit financing so that effective demand is created in the economy ensuring employment opportunities in 1950s a development process of developing countries took place significantly. The growing need of fund was realized for meeting development requirements. Capital deficiency resulted in increasing volume of budgetary deficit. The great depression of 1930s and the Keynesian revolution paved the way for the development of the modern theory of public debt as a part functional finance. Those who follow Keynes are of the view that public debt is income generating and so it is not burden of the community.

Post Keynesian economist advanced their idea that government borrowing does not always deprive the private economy of resources as, for instance, in a period of widespread unemployment. It is also not accepted now that borrowing in a period of full employment must be inflationary. It depends on these circumstances if borrowing taps funds otherwise spent in consumption, it is not more inflationary than taxation. A large public debt, if internally held, poses many problems for the economy. They think that income, saving and investment are the crucial factor to achieve steady growth for developing countries. So the overall aim of borrowing is not to equalize income in different countries but to provide every country with an opportunity to achieve steady growth, on the other side, people and the developed countries are enjoying high prosperity, high standard of living, high educational facilities etc. population problem is also not so serious in such economies.

## **2.2 Review of International Empirical Studies**

Lerner (1956) states that the internal debt may not have direct money burden in a community as a whole, since the payment of interest to meet the burden

involved simply transfer the purchasing power from one group of person to another. If the creditors and taxpayers are the same, there may not be any net burden at all on the community but if the creditors and tax payers belong to different income groups the change in the distribution of income among different section of the community may take place. Generally government bonds and securities holders are mostly rich people whereas the burden of taxation fall both the rich as well as poor section of the community.

Domar (1944), defined public debt as the ratio of the total debt to the national income. He writes the condition under which the burden would decrease or increase over time.

Let's,

$D$  = Amount of outstanding debt at the beginning of a year.

$i$  = rate of interest paid on debt.

$T$  = Amount of taxes necessary to cover the interest charge on debt.

So,

$$T = Di$$

If, it is a fraction of income ( $Y$ ) taken through tax to pay interest. Then,

$$t = T/Y = i \times D/Y.$$

From the above equation it follows that tax rate is necessary to pay interest on debt which depends on the ratio of the size of debt, multiplied by the rate of interest to income. The tax rate may be related to growth of income and the budget deficit. This relevant equation shows the burden of public debt.

$$t = 1/ (1/i). (G/b)$$

$$= i \times b/G$$

Where,

$G$  = Rate o growth of income.

$b$  = Ratio of deficit to income.

The burden of the public debt (t) and ratio of deficit to income (b) and the rate of interest paid on debt have positive relationship. Likewise, the burden of debt (t) and the rate of the growth of income (G) have negative relationship.

The level of government borrowing is a function of the ability and willingness of persons and business to lend and government's power and intention to tax. Maximum level of debt can be expressed in terms of the following equation:

$$D = \frac{Y_t - O}{r}$$

Where,

D = Maximum sustainable national debt

O = Constant expenditure for ordinary government operation

$Y_t$  = Maximum ratio of tax receipt national income

r = Contractual interest rate of government debt

However, the burden controversy depends upon the nature of investments, productive or unproductive. If it is productive, there will not be burden because of creation of real assets in the economy, which further generates income of the people there by increasing national income. If it is unproductive, the situation will naturally be burdensome on the government.

Goode, (1984) states that borrowed money when used to finance public investment causes no such reduction; all that ill happens is the change in the composition of capital formation. To him, "The inference is that failure to restrict borrowing to the finance of investment will retard economic growth. A weakness of argument is that not all outlays classified as investment actually contribute to growth, while some expenditure usually classified as government consumption promotion growth".

Gurley and Shaw, (1995) argue that public debt is applied for the maintenance of balance between the expenditure and revenue for financing economic development, since developed or developing countries always face the problem

of fund, which is reflected in a large extent and as ever-increasing financial resources gap in government budgetary process. Therefore, the selection of appropriate method for development is very important for the success of a development plan. Various methods to be adopted mobilizing financial resources and their implication for the economy are among the leading issues in economic development. Finance aspects are as important as other aspect of economic development and their study should be received proper attention.

According to least development countries report 1999, there is no doubt that the resource gap in the least developed economies to be the basic causes their poor supply response in the present globalize economy characterized, by intensity competitive trading relation. Under capitalization, the evidence presented above indicates some least developed capital stock. A large number of them are also unable to mobilize enough resources to build their productive capacities to levels where they can take advantage of global economy.

IMF working paper (2002), entitled “The Choice between External and Domestic Debt in Financing Budget Deficits: The Case Study of Central and West African Countries” has developed a simple analytical framework and showed that highly concessional external debt is usually a superior choice to domestic debt in terms of financial costs and risks, even in the face of a probable devaluation. The paper has stressed the importance of the availability and terms of financing, and of overall long term debt sustainability. It reviews the principles and practical considerations involved in the choice between foreign and domestic financing of fiscal deficits. This paper explains factors such as the country’s size; the level of government revenue and the track record in servicing debt play a major role in determining possible government financing options. In practice under the circumstances prevailing in most Sub-Saharan African countries, debt management strategies usually need to focus on short term cash management. Given their low creditworthiness, Sub-Saharan African countries will have difficulty, in the short run, to diversify budget deficit financing sources. This paper states the financing systems of

Sub-Saharan African countries are generally underdeveloped and lacking in diversity. Some of countries have a fairly extensive co-operative credit sector, but none so far has active markets in financial instrument. Although regional institutions are introducing securities markets, these initiatives are till at an early stage. So, domestic budget financing in Sub-Saharan African still mainly consists of band loan.

### **2.3 Review of Nepalese Empirical Studies**

In the review of literature on public debt in the context of Nepal, it is beneficial to attach the review of the articles, the dissertations, and that of some recently texts and the magazines. They are as follows:

Sharma (1987), in his M.A. dissertation entitled “Burden of Public Debt in Nepal” shows the relationship between public borrowing, development expenditure and budgetary deficit. He stated that, increasing demand for development fund had necessitated the government to depend on both types of borrowing internal and external. Since developing countries like Nepal always need fright currency to import may capital goods required for development activities, these countries have to depend more on external borrowing than internal. At the same time the terms of trade of developing countries are unfavorable, there is need of borrow from outside in order to finance the balance of payment deficit.

Gurugharan (1996), in his article entitled “The Role of Foreign Aid in Economic Development and Poverty Alleviation,” has presented share of outstanding public debt in GDP at factor cost and of foreign debt servicing in regular expenditure. He pointed out that “Although foreign loan in relatively much softer terms for Nepal compared India and China, the very low rate of return and increasing share of loan in foreign aid imply that aid slowly pushing Nepal toward a debt crisis in the coming years”.

Adhikari (1996), in her article entitled, “Foreign Debt Servicing: A Case Study of Nepal” analyzed the foreign debt servicing problem in Nepal. She found out substantial increase in foreign debt servicing between the periods of 1974/75 to 1993/94. She suggested effective implementation of liberalization policy in all areas of investment. This can bring a great relief to the country creating capacity for foreign exchange earning which can reduce burden of debt servicing substantially in the year to come.

Sharma (1998), in his article entitled, “The Growing Fiscal Imbalance in Nepal, Are We Really Falling into the Debt Trap?” analyzed that the even increasing debt in Nepal and its servicing has really created a situation which leads the country towards debt trap because of following reasons:

Large amount of loan is allocated for meeting development expenditure.

A good amount of borrowed fund is for debt servicing.

Volume of borrowed amount exceeds the maximum legal limit of borrowing.

Khatriwada (1998), in his article “Public Debt Management and Macro Economic Stability” basically dealt with monetary implications of the public debt. He has found that public debt. Exerts excess monetary expansion which has indirectly resulted in high rate of inflation and deterioration of current account situation. Pressure of debt servicing to the government resulting in higher budgetary deficit which further contributes to monetary expansion having subsequent repercussion on the internal as well as external sector stability. It has crowded out resources available for private sector investment. Exerted upward pressure on the market rate of the interest. He has further analyzed the situation move as foreign loan of the long term nature is maturing out the faster rate and rat of exchange of the Nepalese rupee is depreciating very fast and increasing the debt servicing requirement.

Kunwar (2000), in his M.A. thesis entitled, “Government Borrowing: System and Practice in Nepal” observed government borrowing is the financial

obligation of the state for which the government borrowing is the financial obligation of the state for which the government is committed to pay its interest and principle with stipulated time period. He further added borrowing abroad gives a country command over more goods and services than it is currently provided but entails a further real cost and transfer problems whether such borrowing should be undertaken is essentially a benefit or cost questions that can be analyzed by reference to the value of debt financing expenditures and the countries debt service capacity. In practice however much borrowing is unplanned and is promoted by attractive offers of credit or by emergencies, miscalculation or weak fiscal policies.

Koirala (2002), in his article entitled “Effective Public Debt Management in Nepalese Perspective” deals with the debt as a useful resource for economic development, several inverse consequences were found by it’s over use. The debt crises of nineties eighties is widely known as the result of over use. The World Bank has established Multilateral Insurance Guarantee Agency (MIGA) and the international monetary fund has minted Special Drawing Right (SDR) to curbs the crises in the third world. He further opines that we have only two options: either mobilizes more foreign debt to invest for economic development or put the hand off hand doing nothing. In a nutshell, we should have a debt management plan for its better use and regular servicing. The government debt has a simple relationship with the government deficit, the increases in the government debt over a given year is equal to the budget deficit or a higher economic growth requires a higher level of investment that is not possible simply from taxation so that government seeds public borrowing.

Basnet (2003), in his dissertation of M.A. entitled “A Study on Public Debt in Nepal” has observed due to the increasing tern of resources problem external as well as internal borrowing has been increasing. Nepal’s budgetary deficit is growing rapidly which increased dependency on foreign assistance, the share of external borrowing is 63.24 percent of the total debt and rest by internal debt

in 2000/01. “The trend of continuously increased borrowing and debt servicing obligation is not good economic indicator for developing country like Nepal. Obviously, there is no any alternative source for financing budgetary deficit so that government is unable to reduce size of debt.” He further emphasized that effective mechanism should be implemented to complete the development program funded by public debt on time, so that interest burden should be minimized. He provided some suggestions and recommended to get rid of the heavy burden of debt, tax system should be improved, and the borrowing should be effectively used on the productive purposes, Effective supervision and legal system must be set to control increasing corruption. The saving and investment rate should be increase perusing appropriate policy measure.

Thapa (2005), in his article “Domestic Debt Management” observed that the size of fiscal deficit that affects the size of internal borrowing in Nepal is increasing every year. For the development of the government securities market, an efficient management system should be established. To manage the government security market is a must. The borrowing should not be for the payment of interest and principal amount. It should be invested in the productive sector so the return from such investment will be sufficient for repayment. He further indicates that the objective of borrowing should not be for making easy money for the government. If the return is less than the borrowing costs, this will result in the gradual deterioration in the paying capacity of government and finally the public will have less confidence on government. The borrowing instruments can be used for maintaining monetary balance as well as for government financing. So, there should be a cordial coordination between fiscal and monetary policy maker and debt manager.

Pant (2008) in his thesis entitled “Trend and Structure of Public Debt in Nepal” has observed the deficiency of revenue in Nepalese economy. He has mentioned the importance of public debt in the developing countries like Nepal to support the budgetary deficit. It has suggested adopting the administration with effective tax policy. It has been recommended that the government should



give emphasis to macroeconomic stability while accepting short time or long time loan. The government should pay attention in all the sectors of the economy with high economic growth rate by reducing excessive external dependency and internal resource mobilization.

## CHAPTER III

### TREND AND STRUCTURE OF PUBLIC DEBT IN NEPAL

#### 3.1 Resource Gap in Nepalese Economy

Nepalese financial resources gap has been always a burning as well as common phenomena after conducting the start of the systematic budgetary Policy. Nepal is facing growing resource gap. This is because the annual growth rate of the total expenditure and that of its revenue are not increasing in the same pace. The trend of revenue collection is increasing in lower rate to the rate of expenditure which is growing rapidly year to year. Total revenue is lower because Nepalese tax and custom administration are not fair and transparent in some extent so government can not collect the revenue as being predict on the other hand, a foreign aid can't be received unlimitedly and our export trade tendency is not so encouraging which leads to budgetary deficit.

Appendix (ii) shows the different growing resource gap as the difference between the government expenditure and government revenue. Similarly the Second gap is the gap between total expenditure and total revenue of similarly the Plus foreign grants and third gap is the difference between total expenditure minus total revenue plus foreign grants and loans which is domestic revenue deficit.

The appendix (ii), first scenario (A) shows the trends of revenue and expenditure in Nepal. The gap between the total expenditure and total revenue of the government is called revenue deficit. Volume of total expenditure is on increasing trend. The amount of total expenditure was Rs. 9797.1 million in 1985/86 has gone up to Rs. 163000.0 million in 2007/08 where as total revenue of HMG/N has increased from Rs. 4644.5 million in 1985/86 to Rs. 107622.7 in 2007/08. The growth rate of total expenditure during the period of under review has been 16.5 percent annually where as the annual growth rate of total revenue has been 14.9 percent. It shows revenue growth rate is smaller than

growth rate of expenditure. It creates gap between revenue and expenditure. In 1985/86 gap between total revenue and expenditure (revenue deficit) was 5152.6 million which has gone up Rs. 55377.3 million in 2007/08. In the review period 32.3 is the highest annual growth rate revenue expenditure gap with the amount of revenue and expenditure has 11.8.

The second scenario (B) shows resource gap or fiscal deficit by including foreign grants which is increased from Rs. 3979.7 million in starting year of review period FY 1985/86 to Rs. 32642.0 million in last year of review period FY 2007/08 and average annual growth rate is 11.5.

In the review period 82.7 is the highest annual growth rate of fiscal deficit. The fiscal deficit is fulfilled by three elements. Grant is the most potential source of foreign currency, which is easy instrument to government to import the capital goods and to pay the interest and principle of external debt. Moreover, it can be used on capitalization itself. Foreign grants is not increasing in the desirable pace as it predicts which has increased from 1172.9 million in 1985/86 to Rs. 227358.3 million in 2007/08. 18.8 to 130.8 is the highest average annual growth rate of grants.

The third scenario (C), it is the difference between expenditure and total revenue plus grants which includes foreign loan. It is called domestic resource gap. It is filled up with domestic borrowing and cash change in FY 1985/86 domestic resource gap was Rs. 1478.6 million has gone up 21316.5 million in 2007/08 and Average annual growth rate of domestic resource gap was 22.9 and the highest annual growth rate of domestic resource gap was 107.4 in review period 2000/01. External loan in 1985/86 was Rs. 2501.1 million has gone up Rs. 11325.5 million in 2007/08. Average annual growth rate of external loan has 9.7 and the highest annual growth of external loan is 67.8 in 2003/04.

To analyze the revenue deficit as percentage of GDP is most essential task because GDP is the main indicators to reflect the overall economic performance of a country.

In this context revenue deficit as percentage of GDP was 9.7 in 1985/86 to 10.0 percent in 2007/08 and average annual growth is 8.3 percent. The highest growth of revenue deficit as percentage of GDP was 11.9 in 1988/89. The fiscal deficit as percentage of GDP which included grants was 7.5 in 1985/86 which decreased 5.9 in 2007/08. Average annual growth rate is 6.0 which indicate that the economic status is improving. But trend is not seen in its systematic pattern. It is because grants depend upon the political consideration of donor countries.

### **3.2 Financing of Fiscal Deficit**

Public Debt has been the main source for financing fiscal deficit in Nepalese fiscal system. For financing of fiscal deficit underdeveloped economy has adopted both internal and external source of borrowing. So total public debt has been increasing from 1985/86 for meeting the requirement of fiscal deficit by comprising before and after the restoration of democracy.

Appendix (iii) shows the total debt raised from internal and external source in 1985/86 was Rs. 3904.4 million to Rs. 31825.5 million in 2007/08 and average annual growth rate of total public debt is 41.5 in 1988/89. The main features of Public Debt is that internal debt has not increased so external loan is rapidly increasing.

In the year 1985/86, internal debt was Rs. 1403.4 million which has gone up to Rs. 20500.0 million in 2007/08. Average Annual growth rate of internal debt has 17.9 and highest annual growth rate is 111.8 in 1990/91, where as external debt in 1985/86 was Rs. 2501.5 million which increased to 11325.5 in year 2007/08. Average annual growth rate of external debt has 9.7 and highest annual growth rate of external debt is 67.8 in year 2002/03.

The difference in increasing amount is also reflected in either percentage contribution to their deficit. In 1985/86, contribution of internal and external debt was 35.3 and 62.8 respectively. But the contribution of internal debt in almost in the same pace, internal debt contribution in fiscal deficit is 62.8 percent in FY year 2007/08 and 13.9 in 1992/93. Contribution of internal debt has fluctuated many times over the period of 23 years, where as the percentage contribution of external public debt has maintained its gradual growing trend since 1985/86 and gone up to 66.9 in 1999/2000 but in the year 2007/08 it is only 27.7 percent which shows fluctuating trend of external debt in different years. The average annual share of internal debt as percentage of fiscal deficit has 31.9 and highest contribution of internal loan was 62.8% in year 2007/08. Average annual share of external loan as percentage of fiscal deficit has 57.0 percent and highest annual growth has 78.8 in year 1993/94.

This obviously shows that the government is growing reliance on external debt for meeting the ever increasing fiscal deficit. This also shows that the performance has not been conducive enough to reduce growing reliance on external loan. This situation is really the alarming situation and we have to aware about its burden.

### **3.3 Growth Trend of Government Borrowing**

Reliance on taxation is not possible in view of the large amount financial resources required for growing government expenditure. Government borrowing is the fundamental issues for the under developing countries. In Nepal's budgetary system government borrowing is increasing every year. Even after restoration of multiparty system, the scope of government has been increasing that has led to enhance the government investment which caused to increase the large financial resource gap in the government budgetary. In this context, both governments borrowing, internal and external need to fulfill this resource gap. The government has to borrow large amount of loans to meet the fiscal deficit.

Appendix (iv) shows the government borrowing and annual growth rate between 1985/86 to 2007/08 from the table below. We can observe that the trend external loan in government borrowing has been lower than that of internal borrowing is very high.

The trends indicate that the government external borrowing increased more than internal borrowing at the end of 2000/01 but during the period of 2001/02, 2002/03, 2005/06, 2006/07 and 2007/08. Internal loan has been exceeded than the external loan which is controversial than the above trend. The main causes for increasing internal loan is the conflict situation which creates the fear of investing by the banking non banking and private sectors such exceeds freeze amount are taking by the government sector as a loan more than external loan. Internal loan was Rs1403.4 million in fiscal year 1985/86 which reached to 20500.0 million in fiscal year 2007/08. Average annual growth rate was 17.9 where as external debt was 2501.5 in fiscal year 1985/86 in fiscal year 2007/08it reached to Rs11325.5 million. Average annual growth has 9.7 .In the review period 1985/86 total debt was Rs 3904.5 million which has gone up to Rs 31825.5 million in fiscal year 2007/08 . The Percentage share of internal and external borrowing were 35.9 and 64.1 Percent respectively in the total borrowing of fiscal year 1985/86. During the period of fiscal years 2001/02 to 2007/08, It is found that the higher percentage share of internal borrowing such as 61.0 and 66.1 in 2001/02 and 2002/03 respectively in the total borrowing. Likewise 59.0, 64.0 and 64.4 in the fiscal years of 2005/06 to 2007/08. However, the percentage share of internal debt is found to be lower the fiscal years 2003/04 to 2004/05. Average annual share of internal debt as percentage of public debt is 36.0 percent and higher share of internal .borrowing over the period is 64.4 in fiscal year 2007/08 likewise average share of external borrowing in total public debt is 64.2. Highest annual share external borrowing in over period was 83.4 in fiscal year 1993/94.

Appendix (v) shows the gradual increment in GDP .GDP has been increased from Rs. 53215 million in fiscal year 1985/86 to Rs 555850 in fiscal year

2007/08. Annual growth has 10.7. The share of total borrowing as percentage of GDP was 7.3 in fiscal year 1985/86 and it placed 5.7 in year 2007/08. Average annual growth of total borrowing as GDP has 5.5. Highest share of total borrowing as GDP was 9.3 in year 1990/91.

Internal debt also increase with an average annual growth rate of 17.9 percent from Rs 1403.4 million in fiscal year 1985/86 to Rs 20500.0 million in fiscal year 2007/08. Total percentage of internal debt to GDP shows that in the beginning year 1985/86. It was 2.6 and final year 2007/08 it is 3.7. Highest annual growth was 3.9 in year 1990/91. The percentage external debt to GDP shows the fluctuating from fiscal year 1985/86 to 2000/01, it has generally 3.1 to 6.6 later 2000/01. It is decreasing. Average annual share of external borrowing as percentage of GDP has 3.6 and highest share was 6.6 in year 1989/90. Share of external borrowing is higher than internal borrowing in beginning vice versa in later.

### **3.4 Outstanding Public Debt**

Because of the increasing trend of fiscal deficit the volume of outstanding public debt has been increasing. The government has to borrow big amounts of loan for balancing financial resource gap. On the one hand there is increasing trend of financial resource gap which needs large amount of loans and on the other hand there is low amount of repayment. So every year total amount of outstanding debt is in increasing trend. Total outstanding debt means both internal and external. Usually public debt is used as a means of meeting the government budgetary expenditure but in the context of Nepal, it has been the main and reliable resources of meeting the government expenditure for many years. So the volume of net outstanding public debt has been increasing.

Appendix (vi) shows that the overall increment of government debt. The total outstanding public debt has increased from Rs. 17520.4 million in 1985/86 to Rs. 353299.7 million in 2007/08 with the average annual growth rate of 14.7 percent per year. The highest annual growth of public outstanding debt was

37.9 in year 1986/87. The external outstanding debt has increased from Rs. 10330.2 million in 1985/86 to Rs. 242060.6 million in 2007/08. It also shows that the average annual growth rate of outstanding external debt has 15.8 percent. The highest annual growth rate of external outstanding debt was 61.7% in year 1990/91 likewise the internal outstanding debt was Rs. 1790.2 million in 1985/86 which has to gone up to Rs. 111239.1 million in 2007/08. Average annual growth rate of internal outstanding debt has 13.8% and highest annual growth rate of internal outstanding debt was 42.1 in year FY 1990/91. The growth of external is higher than internal.

The Appendix (vi) also reveals that of total outstanding, external outstanding as well as internal outstanding debt as percentage of GDP. The total growth rate of total outstanding debt as percentage of GDP was 32.9 in FY 1985/86 which has gone up to 63.6 in FY 2007/08. The average annual growth rate of total outstanding debt as percentage of GDP has 61.4. It shows increasing trend of total outstanding debt as percentage of GDP. The external outstanding debt as percentage of GDP was 19.4 in FY 1985/86 which has gone up 43.5 in FY 2007/08 which is also increasing. The average annual growth rate of external outstanding debt as percentage of GDP has 45.4. The highest annual growth rate of external outstanding debt was 55.6 in year 1997/98. Internal outstanding debt as percentage of GDP was 13.5 in FY 1985/86 which has gone up 20.1 in fiscal year 2008/08. Average annual growth of internal outstanding debt of as GDP has 16.1 and highest annual growth of internal outstanding debt as percent GDP is 20.1 in 2007/08.

The external outstanding debt and internal outstanding debt as percentage of total outstanding debt are 59 and 41 respectively in 1985/86 which has gone up 68.5 and 31.5 respectively in 2007/08. Average annual growth rate of external and internal outstanding debt as percentage of GDP are 73.0 and 25.9 respectively, share of external outstanding debt to total outstanding public debt is higher nearly three times than internal outstanding debt that indicate we have been indebted by foreigner to considerable extent to the government therefore



should take the grim attention toward the burden of external debt public debt is not good resources availability for the country is all sense but it may adversely impact in economic condition. When its volume is large and misused by nation, we really fall into debt trap where as fresh loans are needed for the servicing existing interest of public debt.

### **3.5 Factor Affecting Public Debt in Nepal**

Nepal is underdeveloped country and growing in the development process. For this purpose, the government has to push heavy dose of investment. On the other hand, our domestic resources mobilizations are inadequate and insufficient to meet growing needs of investment funds. Then ultimately there has been creating a resource gap which has shown in Appendix (ii).

Appendix (ii) shows the domestic saving and investment as percentage of GDP. The amount of saving was Rs.5887.0 million in FY 1985/86 which has gone up Rs.53917.0 million in FY 2007/08, with average annual growth rate of 14.8. It has increased by 9.2 folds in study period. Highest annual growth rate of saving was 43.0 percent in FY 1992/93 similarly the amount of saving was Rs. 10599.0 million in 1985/86 which has increased Rs 155638 million in FY 2007/08 with average annual growth rate of 13.0 percent. It has increased 14.7 folds in study period. Highest amount of annual growth of investment was 31.7 percent in FY 1999/00. S-I Gap was Rs. 4712.0 million in FY 1985/86 which has increased Rs. 101721.0 million in 2007/08, it has increased 21.6 folds in study period.

The percentage share of investment to GDP was 19.9 percent in FY 1985/86 and it has increased to 28 percent in FY 2007/08 with average annual growth rate of 23.1 percent under the period of study. Highest annual growth rate of investment as percentage of GDP was 28.4 percent in FY 1995/96.

The amount percentage share of saving to GDP has fluctuation trend and the percentage share of GDP was 11.1 percent in FY 1985/86 which reached to 4.6

percent in FY 2007/08. Its average annual growth rate is 12.6 percent under the study period. The highest annual growth rate of the saving as percentage of GDP was 15.7 percent in FY 1999/00 and 2000/01.

Saving investment gap as percentage of GDP was amounted 8.8 percent in FY 1985/86 which has gone it 18.3 percent in FY 2007/08 with average annual growth rate of 11.7 percent. Highest annual growth rate of S - I as percentage of GDP is 18.3 percent in FY 2007/08. .

### **3.6 Pattern of Internal Net Outstanding Debt in Nepal**

Internal debt has been started since fiscal year 1961/62 in Nepal. The main objective of borrowing the internal debt is to meet the resource gap and to mobilize the internal resources. Nepal has been borrowing internally under the different plans. The main sources of internal borrowing are Treasury bill, development bond, national saving certificate special bond, citizen saving certificate.

After the enforcement of public debt act 1960 internal debt for the first time was issued by Nepal in 1962 through treasury bills amounting to Rs. 7 million the next instrument of internal debt as development bond was first issued 1963/64, amounting Rs. 250 million.

Appendix (viii) reflects the structure of internal net outstanding debt in which the government mainly mobilizes the internal sources by five sources such as treasury bills, development bonds, national saving certificate, citizen saving and special bonds to fulfill the resource gap on the budgetary deficit and mobilizing financial sources for development works. Table shows contribution of treasury bills higher than others in the field of net outstanding of internal debt.

The share of treasury bills was Rs. 3080 million in FY 1985/86 which has gone up Rs. 85003.0 million in FY 2007/08. Annual growth of development bonds

was 30.6 in 1985/86 in 2007/08, it has only 13. Average annual growth rate of development bond is 15.0.

In 1985/86 share of national saving certificate was Rs. 1500 million which reached Rs. 1116.9 million in 2007/08. Annual growth was 29.3 in 1985/86 which is negative 26.4 in 2007/08. Average annual growth rate has 1.6.

The share of citizen saving was 2020 in the beginning, it is continue until the year 2001/02, after 2001/02 share of citizen saving is increasing in 2007/08 share of citizen saving is Rs. 3014.4 million. Average annual growth rate has 9.3.

At last special bonds share was Rs. 320.2 in FY1985/86 which has gone up Rs. 339.4 million in 2007/08. Annual growth rate was 95.9 in 1985/86 and 2007/08 it is negative 87.8. Average annual growth rate of special bonds is 25.8.

The percentage share of treasury bills to internal outstanding debt was 42.8 in fiscal year 1985/86 in 2007/08 it is 76.4. The percentage share of treasury bills to internal outstanding debt is increasing trend average annual growth of treasury bills to internal outstanding debt has 37.5 highest annual growth of treasury bills to internal outstanding debt is 76.4 in 2007/08. Percentage share of development bond of internal outstanding debt was 31.8 in 1985/86 which has fall 19.5 in FY 2007/08. Average annual growth rate of development bond to internal outstanding debt is 19.9; highest annual growth rate of development bond to internal outstanding debt was 40 in 1987/88. Percentage share of national saving certificate to internal outstanding debt was 20.9 in 1985/86 which has 1.0 in FY 2007/08. Average annual growth rate of national saving certificate of internal outstanding debt is 16.6 highest annual growth rate of national saving certificate to internal outstanding debt is 16.6 and highest annual growth rate of national saving certificate to internal outstanding debt has 25.7 in 1997/98. Percentage share of citizen saving to internal outstanding debt was zero in beginning year 2.7 in FY 2007/08, average annual growth rate

of citizen saving to internal outstanding debt has 0.5 and highest share of citizen saving to internal outstanding debt is 2.7 in FY 2007/08.

Percentage share of special bond to internal outstanding debt was 4.5 in FY 1985/86 it has 0.3. in 2007/08. Average annual growth rate of special bonds to internal outstanding debt is 8.1.

The above table shows that the pattern of total internal outstanding debt where the portion of treasury bills, development bonds and citizen saving are monotonically increasing but national saving certificates and special bonds are increasing in initial year and decreasing the period of last few year. Thus the role of the domestic borrowing for resource mobilization is increasing in the absence of the growth in revenue collection to meet the growth in the expenditure. Thus, government internal loans are mostly inflationary in nature.

### **3.7 Source of Foreign Loan Pattern of External Public Debt in terms of Disbursement by Major Sources**

Nepal has started to borrow the foreign loan since FY 1964/65. The foreign assistance grants and loans are the major sources of foreign currency. External debt provides additional resources for investment. It can be said with large foreign borrowing is possible for the borrowing country to attain a given role of growth with lower taxes and higher consumption. It is not far from disadvantages such as foreign control, slackening of domestic managerial talent; foreign loan involves risk as particularly when obligations of debt services become very large. Nepal's first experience of foreign economic assistance was heralded by the Point Four program agreement signed on 23 January 1951 in which the U.S government's assistance of Rs. 22 thousand was provided (Appendix ix).

Nepal has borrowed the external loan through multilateral sources and bilateral sources. Bilateral loans are loans from government and their agencies, loans from autonomous bodies and direct loans from official export credit agencies.

Multilateral loans are loans credit from multilateral agencies such as IMF, World Bank, Regional Development Bank and other multilateral and internal government agencies. Nepal is heavily indebted with multilateral borrowing from ADB, UNDP, and IMF etc.

Kaldor (1963), “if there are many problems being confronted by domestic government, it becomes necessary for the government to seek foreign assistance for meeting development requirements. Because the advanced countries with high incomes have on obligation to assist in the process by providing aid and this obligation has been simply recognized. However, “Foreign aid is likely to be fruitful only when it is a complemented to domestic effort, not when it is treated as a substitute for it”. Samuelson (1964) has also suggested for use of foreign capital in the process of development of developed country. He has said “if there are many difficulties in the way of domestic financed capital formation, why not rely more heavily on foreign sources”. He has further said, doesn’t an economic theory teller that a rich country which has used up all its own high interest payment projects can benefit it and at the same time benefit as poor country abroad, if only it will shift investment to high internal project not yet exploited abroad. Foreign loan disbursement has been shown by Appendix (ix).

Appendix (ix) shows the pattern of external debt in terms of disbursement by major sources and decreasing trend of bilateral loans and increasing trend of multilateral loans under the review period.

In the beginning of review period (1985/86) bilateral loan was Rs. 498.8 million and annual growth rate was negative 39.9, in 2007/08 bilateral loan is 1054.4 and annual growth rate is 5.2. Average annual growth rate of bilateral loan is 141.0. Likewise multilateral loan was Rs. 1872 million which has gone up Rs. 15750.4 million in 2007/08. Annual growth rate was 10.2 in review period (1985/86) which has gone up 74.5 in 2007/08. Average annual growth rate has 18.1.

The share of bilateral loan on total external loan was 21.0 percent in 1985/86 and by the end of study period 2007/08 .It remains only 6.1. Average annual growth of bilateral loan is decreased to 11.9.The highest share of bilateral loan was 38.1 in 1991/92.

The share of multilateral loan to total external loan in beginning year 1985/86 was 79.0 percent and at the end of the study 2007/08 which is increased to 93.7. Average annual growth rate of multilateral loan is 88.1 and highest share of multilateral loan to total external loan was 99.5 in 2005/06. From this analysis it shows that multilateral loan has dominated the bilateral loan which has created some sort of constraint in the performance of economy as a whole. The ratio of bilateral sources to GDP was 0.9 percent in 1985/86 which decreased to 0.2 percent in 2007/08. Average amount growth rate of bilateral sources to GDP is 0.4 percent highest share of bilateral loan to GDP was 1.6 in period 1991/92. Similarly the multilateral resource to GDP ratio was 3.5 percent in beginning 1985/86, in FY 2007/08, the multilateral resources to GDP ratio is 2.8 percent. Average annual growth rate of multilateral loan to GDP is 2.9 percent and highest share of multilateral loan to GDP was in 1993/94 which was 4.5 percent on the other hand share of external loan to GDP was 4.4 percent in review period 1985/86 and 3.0 percent in 2007/08. Average annual growth rate of external loan to GDP is 3.3 and highest share of external loan to GDP was 4.9 in 1988/89. The trend of bilateral sources and multilateral sources of external debt shows that the portion of multilateral sources is very higher than bilateral sources.

### **3.8 Sector-wise Distributions of Public Borrowing**

In developing countries like Nepal, there is need of heavy investment to build up socio-economic infrastructure such as agriculture, industries transportation, communication and others industries. To invest in these sectors, government of developing countries is unable. It is not possible through the individual only in order to meet the national goal government may impose tax on public heavily

but it is imposable in underdeveloped countries because of their low income they are not able to pay tax, that's why, only one way to collect the needed fund is public debt.

## CHAPTER IV

### BURDEN OF PUBLIC DEBT IN NEPAL

#### 4.1 Burden of National Outstanding Debt and Its Share in GDP

Nepal has to borrow high amount of public debt external as well as internal loans for meeting the gap between revenue and expenditure. Government expenditure is increasing but, the tax revenue and non-tax revenue are not increasing as it predicts due to the improper utilization public debt and corruption, debt servicing capacity is not increasing so that burden of outstanding debt is increasing. Here table 4.1 shows burden of debt through the method of measure of burden of debt as the ratio of public debt to GDP.

Appendix (x) shows total outstanding public debt has increased from Rs. 17520.4 million in year 1985/86 to Rs. 353299.7 million in FY 2007/08 with average annual growth rate of 14.7 percent per year. Total outstanding public debt in percentage of GDP was 32.9 percent in FY 1985/86, which is increased 63.6 percent in the year 2007/08. Average annual growth rate of total outstanding public debt as per percentage of GDP has 61.4 per year. The highest annual growth rate of total outstanding public debt as percentage of GDP was 72.3 percent in year 2002/03. After the restoration of democracy, it has increased rapidly.

Similarly external outstanding debt was Rs. 10330.2 million in FY 1985/86, which has gone up to Rs. 242060.6 million in FY 2007/08. It also shows average annual growth rate of external outstanding debt has 15.8 percent, external outstanding public debt in percentage of GDP was 19.4 percent in FY 1985/86, which is gone up to 43.5 in FY 2007/08. Average annual growth rate of external outstanding public debt as percentage of GDP has 45.4 per year.

Internal debt was Rs. 7190.2 million in FY 1985/86, which increased Rs. 111239.1 million in FY 2007/08, it also shows the average annual growth rate



of internal outstanding debt has 13.8 percent; internal outstanding public debt in percentage of GDP was 13.5 percent in FY1985/86, which increased 20.1 in FY 2007/08. Average annual growth rate of internal outstanding public debt as percentage of GDP has 16.1 per year. Highest annual growth rate of internal outstanding debt as percentage of GDP is 20.1 in FY 2007/08.

This trend shows that the burden of external outstanding debt is greater than internal outstanding debt, which may be burden for future generation.

Here in the study period 1985/86 to 2007/08, GDP is also increasing gradually from Rs. 53215 to Rs. 555850 million. Its annual growth rate less than growth rate of outstanding debt.

#### **4.2 Issues of Debt Servicing in Nepal**

Most of the development activities, projects depend upon the public debt especially on foreign loan. Nepal is taking huge amount of external and internal loan with the obligation of future repayment. In Nepalese context, foreign loan share is rapidly increasing which increase financial and real burden for future generation. So the debt servicing is one burning problems of Nepalese economy, because most of the portion of revenue has been used to pay the interest of internal debt as well as external debt.

The amount of internal loan is relatively smaller than external loan. However, the external loan is received in subsidized rate where as internal loan is available normally at market rate of interest. Such the repayment amount of internal loan is found to be greater than foreign loan. Internal loan mobilization is relatively expensive than external loan but external loan depends on foreign exchange rate, so it becomes cheaper when our currency is revaluated and expensive when our currency is devaluated. The public debt of Nepal is still less burdensome, as foreign loan are available at subsidized rate.

Observing Appendix (xi) amount of total debt servicing in FY 1985/86 was Rs. 1305.0 million, which was grew with the rate of 29.0 percent in FY 1986/87

with amount Rs. 1683.6 million, the total debt servicing has increased to Rs. 25915.4 million in FY 2007/08 with the average annual growth rate of 14.8 percent. It is about 20.0 folds more than of beginning year of reviewed period. This shows an increasing trend of total debt servicing.

Likewise, the external debt servicing was Rs. 285.7 million in FY 1985/86 which grew with the rate of 70.5 percent in FY 1986/87 with amount Rs. 487.0 million. The external debt servicing has increased to Rs. 10014.7 million in FY 2007/08 with average annual growth rate of 18.0 percent which is 35.1 times more than beginning year of review period.

Also the internal debt servicing amount was Rs. 1019.3 million in FY 1985/86 which grew with the rate of 17.4 percent in FY 1986/87, which amount Rs. 1196.6 million. It has increased to Rs. 15900.7 million in FY 2007/08 with the average annual growth rate of 15.5 percent. It is also 15.6 times more than of beginning year of review period.

In other words, servicing of external debt has exceeded foreign debt servicing up to the year 1999/2000. We can regard it as a greater challenge for the government mainly because the stock of debt is of short-term nature. Even the debt of larger maturity period has now come to a stage of redemption.

By studying as a whole we can say that developing country government should be careful before to borrow external loan like maturity period interest rate.

### **4.3 Internal Debt Servicing as Percent of GDP, Regular Expenditure and Total Revenue**

The ratio of internal debt servicing to the total government revenue is an important indicator for estimating burden of internal debt servicing charge. The burden of internal debt servicing can be examined also taking into consideration of national income (GDP), government revenue, and regular expenditure. Appendix (xii)

Appendix (xii) shows that the internal debt servicing as percentage of GDP, total revenue and regular expenditure. The share of internal debt servicing was Rs. 1019.3 million in FY 1985/86 which has gone up Rs. 15900.7 million in FY 2007/08. The magnitude of total revenue was Rs. 4644.5 in FY 1985/86 which has increased Rs. 107622.7 million in 2007/08, with average annual growth 14.9, likewise, the amount of regular expenditure Rs. 3584.0 million in FY 1985/86, which has gone up Rs. 98172.5 million in 2007/08 with average annual growth rate of 15.9.

The share of internal debt servicing as percentage of total revenue was 21.9 percent in FY 1985/86 which is decreased to 14.8 in FY 2007/08. Average annual growth rate of internal debt servicing as percentage of total revenue is 20.6.

The share of internal debt servicing as percentage of regular expenditure was 28.4 in FY 1985/86 which has decreased to 16.2 in FY 2007/08. Average annual growth rate of internal debt servicing as percentage of regular expenditure is 26.4 percent.

The table also shows the trend of internal debt servicing as percentage of GDP. The internal debt servicing as percentage of GDP was 1.9 in FY1985/86 which has gone up to 2.9 in 2007/08 with average annual growth rate 2.3. The average annual growth rate shows the growth rate internal debt servicing is greater than growth rate of total revenue and GDP. This indicates that the servicing capacity of the government has not increased.

#### **4.4 Outstanding Public Debt, Development Expenditure and Debt Servicing**

The relation of outstanding public debt, development expenditure and total debt servicing has been shown in Appendix (xiii) that shows outstanding public debt which was Rs. 17520.4 million in FY 1985/86 which has gone up to Rs. 353299.7 million in FY 2007/08 with annual growth rate of 14.7.

The total debt servicing was Rs. 1305.0 in FY 1985/86 which has gone up to Rs. 259155.4 with average annual growth rate 15.9.

Developing has gone up to 53794.0 million at the end of the FY 2007/08 from Rs. 6213.3 million at the beginning year with the 10.8 percent of average annual growth rate. Similarly total outstanding debt as percentage development expenditure was 282.0 percent in FY 1985/86 which has increased 656.8 percent in FY 2007/08 with average annual growth rate of 678.2 percent. This trend shows that public debt deserves the higher credit for development expenditure in Nepal.

Total debt servicing percentage of development expenditure was 21.0percent in FY 1985/86 which increased to 48.2 percent in FY 2007/08. Average annual growth rate of total debt servicing as percentage of development expenditure is 41.1.

#### **4.5 Annual Internal Borrowing and Internal Debt Servicing**

The proportional relationship between internal debt servicing and annual borrowing can be taken as important aspect of internal debt analysis. The below table shows that the aspect of internal debt servicing as well as the government ability to borrow from internal sources which is not conducive to raise enough of fund for development requirement. The table also shows that the increasing proportion of internal debt servicing in the manifestation of unproductive expending of borrowed fund. Table has presented in below.

Observing table 4.1 the amount of internal debt was Rs. 1403.4 million in FY 1985/86 and has increased to Rs. 20500.0 million in FY 2007/08 with average annual growth rate 17.9. Highest annual growth rate of internal borrowing was 111.8 in FY 1990/91. In the 23 years study period internal borrowing is increased by about 14.6 folds

**Table 4.1****Annual Internal Debt Servicing as Percentage of Annual Internal Borrowing, (1985/86 to 2007/08)**

(Rs. In Million)

Fiscal Year	Internal debt	Annual growth of internal debt	Internal debt servicing	Annual growth rate of internal debt servicing	Internal debt servicing as % of internal debt
1985/86	1403.4	-	1019.3	-	72.6
1986/87	1644.7	17.2	1196.6	17.4	72.8
1987/88	1130.0	-31.3	1441.6	20.5	127.6
1988/89	1330.0	17.7	1720.7	19.4	129.4
1989/90	2150.0	61.7	2279.2	32.5	106.0
1990/91	4552.7	111.8	2407.4	5.6	52.9
1991/92	2078.8	-54.3	3797.1	57.7	182.7
1992/93	1620.0	-22.1	4560.5	20.1	281.5
1993/94	1820.0	12.3	4855.1	6.5	266.8
1994/95	1900.0	4.4	6083.3	25.3	320.2
1995/96	2200.0	15.8	6715.5	10.4	305.3
1996/97	3000.0	36.4	7527.2	12.1	250.9
1997/98	3400.0	13.3	7682.8	2.1	226.0
1998/99	4710.0	38.5	5527.7	-28.1	117.4
1999/00	5500.0	16.8	6352.8	14.9	115.5
2000/01	7000.0	27.3	5887.8	-7.3	84.1
2001/02	8000.0	14.3	7453.9	26.6	93.2
2002/03	8880.0	11.0	10685.1	43.3	120.3
2003/04	5607.0	-36.8	11573.0	8.3	206.4
2004/05	8938.1	59.4	13798.1	19.2	154.4
2005/06	11834.2	32.4	13436.0	-2.6	113.5
2006/07	17892.3	51.2	15377.5	14.4	85.9
2007/08	20500.0	14.6	15900.7	3.4	77.6
Average annual growth rate.		17.9		15.5	

*Source: Various issues of budget speeches, Economic Survey, Quarterly economic bulletin, MOF, GON and NRB.*

Likewise, internal debt servicing amount was Rs. 1019.6 in FY 1985/86 which has gone up to Rs. 15900.7 million in FY 2007/08 with average annual growth rate of 15.5. It is increased 15.6 folds in the study period. Highest annual growth rate of internal debt servicing was 57.7 percent in FY 1991/92.

The volume of internal debt is higher than internal debt servicing in 1985/86 to 1990/91. But after 1990/91 the magnitude of internal debt but after 1990/91 the magnitude internal debt is higher till 1999/2000. This situation indicates that the of internal borrowing is being spent on debt servicing Internal debt servicing as percentage of internal debt was 72.6 percent in FY 1985/86 which has gone up 77.6 in FY 2007/08 with average annual growth rate of 154.9. The trend of internal debt servicing as percentage of internal debt is fluctuation. The highest amount of internal debt servicing as percentage of internal debt was 320.2 percent in FY 1994/95. The high reliance on internal debt for financing budgetary deficit has causes. I) Huge amount development funds diverted for meeting debt servicing charges annual which comes under regular expenditure. II) Borrowing from commercial banks will create crowding out of private sector investment and, III) Likewise some borrowing portion, from NRB will have affected directly on money supply and increased prices.

#### **4.6 External Debt Flow and Its Annual Servicing**

Nepal is bearing heavy burden of external debt. So it leads to rise in debt servicing charge. External debt is growing rapidly in every year in high rate, our domestic resource mobilization is inadequate and insufficient to meet the growing requirement of funds. One of the main features of budgetary system in Nepal is deficit budget in which large proportion is fulfilled by external loan.

The amount of external debt servicing has increased from Rs. 285.7 million to Rs. 6201.4 million with 18.0 percent of average annual growth rate under 23 years study period. It is increased 35 folds in study period. Highest annual growth rate of external debt servicing was 60 percent in FY 1989/90 (Appendix-xiv).

Similarly external new borrowing has also reached to amount Rs. 11325.5 million for the amount Rs. 2501.1 million with 9.7 percent of average annual growth rate less than 23 years study period. Highest annual growth rate of external new borrowing was 67.8 percent in FY 2003/04 (Appendix xiv).

These state that the proportion of external debt servicing to external (new borrowing) has been 52.2 percent over the study period. These indicators threaten about its increasing burden because it is going to destroy not only large proportion of exchange earning but also large proportion of new borrowing too, which has been hampered for the purpose of development expenditure. Debt servicing as percentage of external (new borrowing) was 11.4 percent in FY 1985/86 which has gone up 88.4 percent in FY 2007/08. Highest annual growth rate of external debt servicing as percentage of external (new borrowing) was 165.4 percent in FY 2002/03 (Appendix xiv).

#### **4.7 Outstanding External Debt and Import**

Larger amount of goods and services are imported in Nepal from foreign countries. Nepal has to pay the large amount of debt the exporter countries. The increasing trend of import payments reduces the economic welfare and status of the citizens.

Appendix (xv) shows the relationship between external debt burden and import payment along with their average annual growth rate and the ratio of imports payment to external debt.

Appendix (xv) shows that the relationship between outstanding external debt and import payments .The data shows the increasing trend of the total external outstanding debt .In FY total outstanding external debt was Rs 10330.2 million which has increased Rs 242060.6 million in FY 2007/08, with average annual growth rate of 15.8 percent .It has been increased 23.4 folds in the 23 years study period. Highest annual growth rate of external outstanding debt was

61.7percent in FY1990/91. It indicates the heavy burden of external debt on the economy.

Similarly, the amount of import payment payments was Rs. 9341.2 million in FY 1985/86 and which has increased Rs. 221937.7 million in FY 2007/08 with average annual growth rate of 15.7 percent. It has been increased 23.7 folds in the study period. Highest annual growth rate of import payment was 37.5 percent in FY 1991/92. It shows the increasing trend of importing goods and services. It shows the larger proportion foreign exchange is paid to foreigners for import of goods and services.

From above data we can observe the import payment as percentage of external outstanding debt which is also in increasing trend. The percentage of import payments to external outstanding debt was 90.0 percent in FY 1985/86 which has gone up 91.7 percent in FY 2007/08. The average annual growth rate of import payments as percentage of external outstanding debt is 61.2 percent. The highest annual growth rate is 91.7 percent in FY 2007/08. This indicates that the purpose of external debt is not going towards the right direction and seriously affected the balance of payment in Nepal.

#### **4.8 External Debt Servicing, Export Earning and GDP Ratio**

Developing countries domestic resource mobilization is inadequate and insufficient of fulfill the growing needs of development funds, and then ultimately there has been increasing reliance on foreign assistance to fill the growing needs of funds. Here the attempts has been made about to compute the ratio of external debt servicing to export earning and external debt servicing to GDP. In Nepal, the large proportion of GDP and export earning go to back to foreign countries for debt servicing.



**Table 4.2**

**Ratio of External Debt Servicing, Export Earning and GDP Ratio  
(1985/86 to 2007/08)**

(Rs. In Million)

Fiscal Year	External debt servicing	Annual growth rate of external debt servicing	Export	Annual growth rate of export	GDP	External debt servicing as % of Export	External debt servicing as % of GDP
1985/86	285.7	-	3078.0	-	53215	9.3	0.5
1986/87	487.0	70.5	2991.4	-2.8	61140	16.3	0.8
1987/88	591.0	21.3	4114.6	37.5	73170	14.4	0.8
1988/89	701.3	18.7	4195.3	2.0	85830	16.7	0.8
1989/90	1121.9	60.0	5136.2	22.4	99702	21.8	0.8
1990/91	1086.5	-3.1	7387.5	43.8	116128	14.7	1.1
1991/92	1664.9	53.2	13705.8	85.5	144937	12.1	0.9
1992/93	2131.9	28.0	17266.5	26.0	165350	12.3	1.1
1993/94	2488.7	16.7	19293.4	11.6	191596	13.0	1.3
1994/95	2984.7	19.9	17639.2	-8.6	209976	16.9	1.3
1995/96	3294.3	10.4	19881.1	12.7	239388	16.6	1.4
1996/97	3349.4	1.7	22636.5	13.8	269570	14.8	1.4
1997/98	4201.2	25.4	27513.5	21.5	289798	15.3	1.2
1998/99	4745.5	12.9	35676.3	29.7	330018	13.3	1.4
1999/00	5321.4	12.1	49822.7	39.6	366251	10.7	1.4
2000/01	6201.4	16.5	55654.1	11.7	394052	11.1	1.5
2001/02	6567.5	5.9	44944.8	-19.2	406138	14.0	1.6
2002/03	7519.2	14.5	49930.6	11.1	437546	15.1	1.7
2003/04	7908.9	5.2	53910.7	8.0	474129	14.7	1.7
2004/05	8101.3	2.4	58705.7	8.9	508651	13.8	1.7
2005/06	9151.4	13.0	60234.1	2.6	514460	15.2	1.8
2006/07	9594.5	4.8	59383.1	-1.4	530890	16.1	1.8
2007/08	10014.7	4.4	59266.5	2.0	555850	16.9	1.8
Average annual growth rate		18.0		15.0		14.6	1.3

*Source: Various issues of budget speeches, Economic Survey, Quarterly economic bulletin, MOF, GON and NRB.*

The above table show that external debt burden interns of export earning and debt servicing. As table shows that, the amount of external debt servicing was Rs. 285.7 million in 1985/86 which has increased Rs. 1004.7 million in 2007/08 with average annual growth rate of 18.0 percent. Highest annual growth rate of external debt servicing was 60.0 percent in FY 1989/90. External debt servicing has been increased 35.0 folds in study period. Whereas the magnitude of export earning was Rs. 3078.0 million in FY 1985/86 which has increased to Rs.59266.5 million in 2007/08 with average annual growth rate of 15.0 percent. Highest annual growth rate of export earning was 85.5 percent in FY 1991/92 export earning has increased 19.3 folds in the study period. The external debt servicing to export earning ratio was 9.3 percent in FY 1985/86 which has increased 16.9 percent in FY 2007/08. The average annual growth rate of external debt servicing as percentage of export earning is 14.6 under the 23 years period of study. The highest annual growth rate of external debt servicing as percentage of export earning was 21.8 percent in FY 1989/90.

Similarly the ratio of external debt serving to GDP has increased from 0.5 percent in FY 1986/87 to 1.8 percent in FY 2007/08 to with average annual growth rate of external debt servicing as percentage of GDP is 1.3 percent under the period of study. Highest annual growth rate of external debt servicing as percentage of GDP is 1.8 percent in last 3 years which shows the increasing burden for the future generation. The external debt servicing as percentage of GDP and Export are fluctuating over the study period.

## CHAPTER V

### SUMMARY, CONCLUSIONS AND RECOMMENDATION

#### 5.1 Summary of Major Findings

- ❖ Revenue deficit (Total Expenditure- Total revenue) was Rs. 5152.6 million in FY 1985/87 which is increased to Rs. 55377.3 million in FY 2007/08 with an average annual growth rate of government revenue and government expenditure is 14.9 and 16.5 respectively. The amount of government expenditure is higher than amount of revenue, which is Rs. 163000.0 million and Rs. 107622.7 million in FY 2007/08 respectively. This shows that widening financial resource gap in which fiscal deficit increased from Rs. 3979.7 million to Rs. 32642.0 million with an average annual growth rate of 11.5 under the 23 years study period. The average annual growth rate of revenue deficit and fiscal deficit as percentage of GDP is 8.3% and 6.0% respectively.
- ❖ Loan and grants are main sources of financing deficit. Share of internal borrowing is lower than external borrowing. in FY 1985/86 the share of external borrowing was Rs. 1403.4 million; in FY 2007 /08 the amount of external borrowing is Rs 11325.5 million and internal borrowing was Rs. 1403.4 million; in FY 2007/08 the amount of external borrowing is Rs 11325.5 million and internal borrowing is Rs. 20500.0 million . It shows increasing trend of external and internal borrowing and average annual growth rate of external and internal borrowing is 9.7 and 17.9 respectively.
- ❖ Foreign grants has dominant role for financing fiscal deficit. Foreign grants was Rs. 11072.9 million in FY 1985/86 which has gone up to Rs. 22735.5 million in FY2007/08 with average annual growth rate of 18.8/ percent.
- ❖ Average annual growth rate of external debt as percentage of fiscal deficit is 57.0 percent and Annual growth rate of internal debt as percentage of fiscal deficit is 31.9 percent. This trend shows the contribution of external loan to

fiscal deficit is outpaced the share of internal but the growth rate showing the decreasing trend of external and internal debt as percentage of fiscal deficit and share of external loan to total loan has been decreasing 64.1 to 35.6 and share of internal loan has been increasing from 35.9 to 64.4 under review period.

- ❖ In FY 1985/86 external Debt as percentage of GDP was 4.7. Likewise in FY 2007/08 it is 2.0 with average annual growth rate of 3.6 percent. It shows the contribution of external debt to GDP is decreasing. Internal debt as percentage of GDP was 2.6 in FY 1985/86 which has gone up to 3.7 in FY 2007/08 with average annual growth rate of 1.9. The contribution to internal debt to GDP is increasing. Total debt as percentage of GDP was 7.3 percent in FY 1985/86 which has decreased and reached to 5.7 percent in FY 2007/08.
- ❖ The amount of outstanding total debt, internal debt and external debt was Rs. 17520.4 Rs. 7190.2 and Rs. 10330.2 million in FY 1985/86 which has gone up to Rs. 353299.7 million, Rs. 111239.1 and Rs 242060.6 million respectively in 2007/09 with average annual growth rate of 14.7%, 13.8% and 15.8 respectively. The trend of total outstanding External outstanding and internal outstanding as percentage of GDP is increasing. External outstanding debt as percentage of total outstanding debt is increasing but annual outstanding debt as percentage of total outstanding debt is decreasing.
- ❖ In FY 1985/86 percentage share of bilateral sources as total external debt was 21.0 % which has decreased to 6.3% in FY 2007/08 with average annual growth rate of 11.9%. Percentage share of bilateral sources as GDP was 0.9% in FY 1985/86 which has decreased to 0.2% in FY 2007/08 with average annual growth rate of 0.4%. Percentage share of multilateral sources as total external debt was 79.0% in FY 1985/86 which has gone up to 96.7% in FY 2007/08 with average annual growth rate of 88% percentage share of multilateral loan as GDP was 3.5% in FY 1985/86

which has decreased to 2.8% in FY 2007/08 with average annual growth rate of 2.9%. Total external debt as percentage of GDP was 4.4% in 1985/86 which has decreased to 3.0% in FY 2007/08 with average annual growth rate of 3.3%.

- ❖ In FY 1985/86 utilization of external loan was Rs2371% million, where as the share of agriculture, irrigation and forestry was 45.1% transport, power and communication 35.6%, industry and commerce 9.8%, social services 9.5% and other sector 0.0%. At the end of the study period FY 2007/08 the utilization of external loan is Rs 11325.5 million.
- ❖ Due to the increasing trend of burden of debt, the trend of total debt servicing of Nepal is also increasing. Total debt servicing was Rs 1305.0 million which has gone up to Rs25915.04 million in FY 2007/08. The increasing growth rate of external debt servicing is higher than internal debt servicing consequently external debt servicing has become a current issue. There is not increasing countries revenue and foreign exchange. So that there will be need of borrow again external loans for debt servicing even interest payment that may lead 'debt trap' to the economy. Percentage share of external debt servicing as total debt servicing was 21.9% in FY 1985/86 which has gone up to 38.6% in FY 2007/08 with average annual growth rate 35.6 percent. Likewise percentage share of internal debt servicing as total debt servicing was 78.1% in FY 1985/86 but in 2007/08 it is 61.4% with average annual growth rate of 64%.
- ❖ Development expenditure has gone up to Rs 53794.0 million at the end of the FY 2007/08 term Rs. 6213.3 million at the beginning year with 10.8% average annual growth rate. Total outstanding debt as % of Dev. expenditure was 282.0 percent which has gone up to 656.8% in FY 2007/08 with average annual growth rate of 678.2 percent. Total debt servicing as % of Dev. expenditure was 21.0% which has gone up to 48.2 percent in 2007/08 with average annual growth rate of 41.1 percent. This trend shows

that debt deserves the higher credit for financing development expenditure in Nepal.

- ❖ Internal debt servicing as percentage of internal debt was 72.6% in FY 1985/86 which has gone up to 77.6% in FY2007/08 with average annual growth rate of 154.9%. The trend of internal debt servicing as percentage of internal debt is fluctuation. These states that the proportion of external debt servicing to external new borrowing was 11.4 percent in FY 1985/86 which has gone up to 88.4 percent in FY 2007/08 with average annual growth rate of 52.2 percent. This shows its increasing burden because it is going to destroy not any large proportion of exchange earning but also large proportion of new borrowing too, which has been hampering for the purpose of development expenditure.
- ❖ Here we can analyze the relationship between external outstanding debt and import payments. Here trend of external outstanding debt is increasing import payments as percentage of external outstanding debt is also increasing. Which was 90.4 percent in FY 1985/086 which has gone up to 91.7 percent in 2007/08 with average annual growth rate of 61.2 percentage this indicates that the purpose of external debt is not going towards direction and seriously affected the Balance of Payments of Nepal.
- ❖ The external debt servicing export earnings ratio has increased from 9.3% in beginning year 1985/86 to 16.9% in 2007/08. Average annual growth rate of external debt servicing to export earning is 14.6 likewise the ratio of external debt servicing to GDP has also increased from 0.5% in beginning year 1985/86 to 1.8% in last year of review period FY 2007/08. This indicates that external debt servicing is increasing in same extent.

## **5.2 Conclusion**

In the context of developing countries like Nepal public debt is playing a prominent role for socio-economic development of the nation. Each and every year the government expenditure is increasing very rapidly but the revenue is

not growing in the same pace. So public debt is a source of deficit financing because Nepal is backward economically. Economic performance is not satisfactory of our country. Now Nepal is facing acute resource gap problem which is also being expected to grow in coming years. Nepal is demanding more and more financial resources through public debt to bridge the growing resource gap in budget.

Public debt is the widely accepted measure for financing government expenditure. It is the loan taken by the government to meet growing expenditure. In the developing countries like Nepal it has been playing a vital role for socio-economic development. Each and every year the expenditure of government is increasing highly but the revenue is not growing in same pace. To fulfill this gap public debt plays vital role.

Borrowing can be divided into two parts internal and external. In the internal sources there are treasury bills, special bonds, development bonds and national saving certificate. Large proportion of internal debt is taken by banking sector from the beginning of debt programs. In external sources borrowing is received in the form of bilateral and multilateral sources. Till now, government is receiving larger proportion of loan from multilateral sources such as ADB, UNDP, WB, IMF, WHO, etc.

In the Nepalese economy, the private sector is not well developed because of the low per capita income which leads to decrease the saving rate. Due to the lower saving of private sector investment is also low. Moreover, due to scattered saving and the shortage of enough effective institutional mechanism for mobilizing that saving, it has become very difficult to induce the private sector to invest its saving in the productive sectors. To fulfill the resource gap, it is necessary to take debt from different sectors. It is better to give priority to the internal resource mobilization than the external debt.

Due to the poor mobilization of internal resources, revenue expenditure gap and export import gap, the degree of indebtedness of external debt has been increasing. So there has been excessive flow of foreign loan to bridge up these

gaps. As a result, the burden of debt and debt serving obligation are increasing rapid in each year but the debt servicing capacity of economy is not increasing in the same pace.

During the period of study between FY 1985/86 to 2007/08, the average annual growth rate of GDP and revenue are considerably low as compared with that of debt and its servicing obligation and most of the borrowed funds are using in unproductive sectors. Because of these misuse of borrowed funds, Nepal has the possibility of instantly falling into the debt trap.

### **5.3 Recommendations**

In the Nepalese budgetary system public debt has eminent role. To fulfill the fiscal imbalance debt is using heavily in very years. Such trend of growing dependency of government expenditure on debt might be led for debt trap therefore effective utilization of public debt is necessary.

- ❖ Government of the developing country's should maintain fiscal imbalance by using strong fiscal and monetary policy which might contribute to control growing unproductive expenses one side and increased revenue on other side. Government efforts should be directed toward mobilizing internal resources and also to reduce dependency on loans for financing development expenditure.
- ❖ In developing countries economy, the size of revenue collection and expenditure is not growing on some pace. The size of revenue collection is very low but expenditure is very high which creates fiscal imbalance. To maintain this problem, the government should manage the economy with borrowing from internal and external sources. The govt. expenditure has to be controlled and allocated on the basis of national priority so that productivity may increase within stipulated time period, to maximize the revenue collection, govt. should adopt transparent and effective tax policy and improving tax administration which helps to reduce dependency on loans for financing development expenditure.
- ❖ The internal borrowing mobilization for development purpose has come from banking sector and about 50 percent of it is owned by Nepal Rastya



bank, which creates inflation. So the government should initiate policy to attract maximum borrowing from non banking sector and should be put legal ceiling on govt. over drawing from central bank .The government also issues development bonds and national saving certificate with discount rate and with some additional attraction and concessions to breakout inflationary situation.

- ❖ The developing countries government should try to get the grants amount as much as possible. There is more domination of bilateral grants. The government also should maintain external policy to import those debts in favorable amount only. More of grants should be received rather than the loans. The main reason for increasing the government expenditure and raising external borrowing is the investment in economic and social infrastructure development. In this context government should try to make private sectors involve through appropriate initiatives policies that help to reduce the investment for maintaining the dept burden.
- ❖ The growth rate of investment is increasing and the rate of domestic saving is not increasing in the same pace. It is encouraging investment saving gap. Thus there is need to reduce such gap by increasing the rate of total domestic saving through transparent and effective tax policy and improving tax administration.
- ❖ Nepal's level of export is very low and export trade is confined to limited products and a few countries. Emphasis should be given on speeding of the growth of export and diversifying trade both country wise and commodity wise. There is need to formulate long-term plan for export promotion and also coordinate various export related activities such as product development, market promotion, export stabilization, quality improvement export diversification etc. It is necessary to minimize huge trade deficit by promoting the export-oriented industries and thereby narrowing the ever increasing gap between total import and export.

## Appendix (i)

### Definitions of Terminology

- ) **Public Debt:** - Total public debt includes an external obligation of a public debtor and national government.
  - ) **Internal Debt:** - Internal debt is the government's borrowing from domestic banking sector and individual.
  - ) **External Debt:** - External debt is the government's borrowing from external sources or autonomous public bodies through bilateral and multilateral sources.
  - ) **Gross Domestic Product (GDP):-** GDP is the measure of the total domestic output at factor price.
  - ) **Gross National Product (GNP):-** GNP is the measure of the total domestic and foreign output claimed by resident of the economy. Less the domestic output claimed by non resident GNP does not include deduction for depreciation.
  - ) **Debt Servicing:** - Debt servicing refers to the principle payment on loan after maturity.
  - ) **Debt Trap:-**Debt Trap is the situation when new fresh loans are taken to redeem the previously taken loan.
  - ) **Burden of debt:** - Burden of Debt is the sacrifice of the community through a rise in taxation at the time of payment and for paying the annual interest on the government loans.
  - ) **Export of goods and Services (XGS):-** XGS are the total value of goods and all service (including worker's remittance) sold to the rest of the world.
- Import of goods and Services (MGS):-** MGS are total value of goods and services purchased from the rest of the world.

## Appendix (ii)

### Different Scenario of Resource Gap (1985/86 – 2007/08)

Rs.In Million)

Fiscal Year	Govt. Revenue I	Annual Growth Rate of I	Govt. Expenditure II	Annual Growth Rate (II)	Scenario (A) Revenue deficit	Foreign Grants III	Annual Growth Rate of III	Scenario 'B' (I-II+III) Fiscal deficit	External Loans (IV)	Annual growth rate of External loan.	Scenario 'C' (I-II)-III-IV	GDP	Revenue deficit as % of GDP	Fiscal deficit as % of GDP.
1985/86	4644.5	-	9797.1	-	5152.6	1172.9	-	3979.7	2501.1	-	1478.6	53215	9.7	7.5
1986/87	5975.1	28.6	11513.2	17.5	5538.1	1285.1	9.6	4253.0	2705.8	8.2	1547.2	61140	9.1	7.0
1987/88	7350.4	23.0	14105.0	22.5	6754.6	2076.8	61.6	4677.8	3815.8	41.0	862.0	73170	9.2	6.4
1988/89	7776.9	5.8	18005.0	27.6	10228.1	1680.6	-19.1	8547.5	5666.4	48.5	2881.1	85830	11.9	6.4
1989/90	9287.5	19.4	19669.3	9.2	10381.8	1975.4	17.5	8406.4	5959.6	5.2	2446.8	99702	10.4	8.4
1990/91	10729.0	15.5	23549.8	19.7	12819.9	2164.8	9.6	10655.1	6256.7	5.0	4398.4	116128	11.0	9.2
1991/92	13512.7	25.9	26418.2	12.2	12905.5	1643.8	-24.1	11261.7	6816.9	9.0	4444.8	144937	8.9	7.9
1992/93	15148.4	12.1	30897.7	17.0	15749.3	3793.3	130.8	11956.0	6920.9	1.5	5035.1	165350	9.5	7.2
1993/94	19580.9	29.3	33597.4	8.7	14016.6	2393.6	-36.9	11623.0	9163.6	32.4	2459.4	191596	7.3	6.1
1994/95	24575.9	25.5	39060.0	16.3	14484.8	3937.1	64.5	10547.7	7312.3	-20.2	3235.4	209976	6.9	5.0
1995/96	27893.1	13.5	46542.4	19.2	18649.3	4825.1	22.6	13824.2	9463.9	29.4	4360.3	239388	7.8	5.8
1996/97	30373.5	8.9	50723.7	9.0	20350.2	5988.3	24.1	14361.9	9043.6	-4.4	5318.3	269570	7.5	5.3
1997/98	32957.9	8.4	56118.3	10.6	23180.4	5402.6	-9.8	17777.8	11054.5	22.2	6723.2	289798	8.0	6.1
1998/99	37251.3	13.1	59579.0	6.2	22327.7	4336.6	-19.7	17991.1	11852.4	7.2	6139.0	330018	6.8	5.5
1999/00	42893.7	15.1	66272.5	11.2	23378.8	5711.7	31.7	17667.1	11812.2	-0.3	5854.8	366251	6.4	4.8
2000/01	48893.9	14.0	79835.1	20.5	30941.2	6753.4	18.2	24187.8	12044.0	2.0	12144.1	394052	7.9	6.1
2001/02	50445.6	3.2	80072.2	0.3	29626.6	6686.2	-1.0	22940.4	7698.6	-36.1	15241.8	406138	7.3	5.6
2002/03	56229.7	11.5	84006.1	4.9	27776.4	11339.1	69.6	16437.3	4546.4	-40.9	11890.9	437546	6.4	3.8
2003/04	62331.0	10.9	89442.6	6.5	27111.6	11283.4	-0.5	15828.2	7629.0	67.8	8199.2	474129	5.7	3.3
2004/05	70122.7	12.5	102560.4	14.7	32437.7	14391.2	27.5	18046.5	9266.1	21.5	8780.4	508651	6.4	3.5
2005/06	72282.1	3.1	110889.2	8.1	38607.1	13827.5	-3.9	24779.6	8214.3	-11.4	16565.3	514460	7.5	4.8
2006/07	87712.1	21.3	133604.6	20.5	45892.5	15800.8	14.3	30091.7	10053.5	22.4	20038.2	530890	8.6	5.7
2007/08	107622.7	22.7	163000.0	22.0	55377.3	22735.3	43.9	32642.0	11325.5	12.7	21316.5	555850	10.0	5.9
Average annual growth rate		14.9		16.5			18.8			9.7			8.3	6.0

Sources: Nepal Rastra Bank, Ministry of Finance, Economic Survey, Journal and Various issues.

### Appendix (iii)

#### External and internal Debt as % of Fiscal Deficit (1985/86 – 2007/08)

(Rs. In Million)

Fiscal Year	Internal Debt (1)	Annual Growth Rate of (1)	External Debt(2)	Annual Growth Rate (2)	Total Debt (3)	Annual growth of (3)	Fiscal deficit	Annual growth of fiscal deficit	Internal debt as percentage of fiscal deficit)	External debt as percentage of fiscal deficit.	Total debt as percentage of fiscal deficit
1985/86	1403.4	-	2501.5	-	3904.4	-	3979.0	-	35.3	62.8	98.1
1986/87	1644.7	17.2	2705.8	8.2	4350.5	11.4	4253.0	6.9	38.7	63.6	102.3
1987/88	1130.0	-31.3	3815.8	41.0	4945.8	13.7	4677.8	10.0	24.2	81.6	105.7
1988/89	1330.0	17.7	5666.4	48.5	6996.4	41.5	8547.5	82.7	15.6	66.3	82.8
1989/90	2150.0	61.4	5959.6	5.2	8109.4	15.9	8406.4	-1.7	25.6	70.9	96.5
1990/91	4552.7	111.8	6256.7	5.0	10809.4	33.3	10655.1	26.7	42.7	58.7	101.4
1991/92	2078.8	-54.3	6816.9	9.0	8895.7	-17.7	11261.7	5.7	18.5	60.5	79.0
1992/93	1620.0	-22.1	6920.9	1.5	8540.9	-4.0	11956.0	6.2	13.5	57.9	71.4
1993/94	1820.0	12.3	9163.6	32.4	10983.6	28.6	11623.0	-2.8	15.7	78.8	94.5
1994/95	1900.0	4.4	7312.3	-20.2	9212.3	-16.3	10547.7	-9.3	18.0	69.3	87.3
1995/96	2200.0	15.8	9463.9	29.4	11663.9	26.6	13824.2	31.1	15.9	68.5	84.4
1996/97.	3000.0	36.4	9043.6	-4.4	12043.6	3.3	14361.9	3.9	20.9	63.0	83.9
1997/98	3400.0	13.3	11054.5	22.2	14454.4	20.0	17777.8	23.8	19.1	62.2	81.3
1998/99	4710.0	17.2	11852.4	7.2	16562.4	14.6	17991.1	1.2	26.2	67.1	92.1
1999/00	5500.0	16.8	11812.2	-0.3	17312.2	4.5	17667.1	-1.8	31.1	66.9	98.0
2000/01	7000.0	27.7	12044.0	2.0	19044.0	10.0	24187.8	36.9	28.9	49.8	78.7
2001/02	8000.0	14.3	7698.6	-36.1	15698.7	-17.6	22940.4	-5.2	34.9	33.6	68.4
2002/03	8880.0	11.0	4546.4	-40.9	13426.4	-14.5	16437.3	-28.3	54.0	27.7	81.7
2003/04	5607.0	-36.8	7629.0	67.8	13236.8	-1.4	15828.2	-3.7	35.4	48.2	83.6
2004/05	8938.1	59.4	9266.1	21.5	18204.2	37.5	18046.5	14.0	49.5	51.3	100.8
2005/06	11834.1	32.4	8214.3	-11.4	20048.5	10.1	24779.6	37.3	47.7	33.1	80.8
2006/07	17892.3	51.2	10053.5	22.4	27945.8	39.4	30091.7	21.4	59.5	33.4	92.9
2007/08	20500.0	14.6	11325.5	12.7	31825.5	13.9	32642.0	8.5	62.8	34.7	97.5
Average annual growth rate		17.9		9.7		10.5		11.5	31.9	57.0	88.8

Sources: Nepal Rastra Bank, Ministry of Finance, Economic Survey, Journal, Various issues and Quarterly Bulletin.

## Appendix (iv)

### Annual Growth Rate of Total Debt, Internal Debt, External Debt and Grants (1985/86 – 2007/08)

(Rs. In Million)

Fiscal year	Total Debt (1)	Annual growth rate of total debt	External Debt (2)	Annual growth rate of external debt	Internal Debt (3)	Annual Growth Rate of Internal debt	Grants	Annual growth rate of grants	Percentage share of external debt in total debt	Percentage share of internal debt in total debt	Total debt as percentage of GDP	External debt as percentage of GDP	Internal Debt as percentage of GDP
1985/86	3904.5	-	2501.5	-	1403.4	-	1172.9	-	64.1	35.9	7.3	4.7	2.6
1986/87	4350.5	11.4	2705.8	8.2	1644.7	17.2	1285.1	9.6	62.2	37.8	7.1	4.4	2.7
1987/88	4945.8	13.7	3815.8	41.0	1130.0	-31.3	2076.8	61.6	77.2	22.8	6.8	5.2	1.5
1988/89	6996.4	41.2	5666.4	48.5	1330.0	17.7	1680.6	-19.1	81.0	19.0	8.2	6.6	1.5
1989/90	8109.4	15.2	5959.6	5.2	2150.0	61.4	1975.4	17.5	73.5	26.5	8.1	6.0	2.2
1990/91	10809.4	33.3	6256.7	5.0	4552.7	111.8	2164.8	9.6	57.9	42.1	9.3	5.4	3.9
1991/92	8895.7	-17.7	6816.9	9.0	2078.8	-54.3	1643.8	-24.1	76.6	23.4	6.1	4.7	1.4
1992/93	8540.9	-4.0	6920.9	1.5	1620.0	-22.1	3793.3	130.8	81.0	19.0	5.2	4.2	1.0
1993/94	10983.6	28.6	9163.6	32.4	1820.0	12.3	2393.6	-36.9	83.4	16.6	5.7	4.8	0.9
1994/95	9212.3	-16.3	7312.3	-20.2	1900.0	4.4	3937.1	64.5	79.4	20.6	4.4	3.5	0.9
1995/96	11663.9	22.6	9463.9	29.4	2200.0	15.8	4825.1	22.6	81.1	18.9	5.0	4.2	0.9
1996/97	12043.6	3.3	9043.6	-4.4	3000.0	36.4	5988.3	24.1	75.1	24.9	4.5	3.4	1.1
1997/98	14454.5	20.0	11054.5	22.2	3400.0	13.3	5402.6	-9.8	76.5	23.5	5.0	3.8	1.2
1998/99	16562.4	14.6	11852.4	7.2	4710.0	17.2	4336.6	-19.7	71.6	28.4	5.0	3.6	1.4
1999/00	17312.2	4.5	11812.2	-0.3	5500.0	16.8	5711.7	31.7	68.2	31.8	4.7	3.2	1.5
2000/01	19044.0	10.0	12044.0	2.0	7000.0	27.7	6753.4	18.2	63.2	36.8	4.8	3.1	1.8
2001/02	15698.7	-17.6	7698.6	-36.1	8000.0	14.3	6686.2	-1.0	49.0	61.0	3.9	1.9	2.0
2002/03	13426.4	-14.5	4546.4	-40.9	8880.0	11.0	11339.1	69.6	33.9	66.1	3.1	1.0	2.1
2003/04	13236.8	-1.4	7629.0	67.8	5607.0	-36.8	11283.4	-0.5	57.6	42.4	2.8	1.6	1.2
2004/05	18204.2	37.5	9266.1	21.5	8938.1	59.4	14391.2	27.5	50.9	49.1	3.6	1.8	1.8
2005/06	20048.5	10.1	8214.3	-11.4	11834.1	32.4	13827.5	-3.9	41.0	59.0	3.9	1.6	2.3
2006/07	27945.8	39.4	10053.5	22.4	17892.3	51.2	15800.8	14.3	36.0	64.0	5.3	1.9	3.4
2007/08	31825.5	13.9	11325.5	12.7	20500.0	14.6	22735.3	43.9	35.6	64.4	5.7	2.0	3.7
Average annual growth rate		10.5		9.7		17.9		18.8	64.2	36.0	5.5	3.6	1.9

Sources: Nepal Rastra Bank, Ministry of Finance, Economic Survey, Journal and Various issues

## Appendix (v)

### Annual Growth Rate of Total Debt, Internal Debt, External Debt (1985/86 – 2007/08)

Fiscal year	Total Debt (1)	Annual growth rate of total debt	External Debt (2)	Annual growth rate of external debt	Internal Debt (3)	Annual Growth Rate of Internal debt	GDP	Total debt as percentage of GDP	External debt as percentage of GDP	Internal Debt as percentage of GDP
1985/86	3904.5	-	2501.5	-	1403.4	-	53215	7.3	4.7	2.6
1986/87	4350.5	11.4	2705.8	8.2	1644.7	17.2	61140	7.1	4.4	2.7
1987/88	4945.8	13.7	3815.8	41.0	1130.0	-31.3	73170	6.8	5.2	1.5
1988/89	6996.4	41.2	5666.4	48.5	1330.0	17.7	85830	8.2	6.6	1.5
1989/90	8109.4	15.2	5959.6	5.2	2150.0	61.4	99702	8.1	6.0	2.2
1990/91	10809.4	33.3	6256.7	5.0	4552.7	111.8	116128	9.3	5.4	3.9
1991/92	8895.7	-17.7	6816.9	9.0	2078.8	-54.3	144937	6.1	4.7	1.4
1992/93	8540.9	-4.0	6920.9	1.5	1620.0	-22.1	165350	5.2	4.2	1.0
1993/94	10983.6	28.6	9163.6	32.4	1820.0	12.3	191596	5.7	4.8	0.9
1994/95	9212.3	-16.3	7312.3	-20.2	1900.0	4.4	209976	4.4	3.5	0.9
1995/96	11663.9	22.6	9463.9	29.4	2200.0	15.8	239388	5.0	4.2	0.9
1996/97	12043.6	3.3	9043.6	-4.4	3000.0	36.4	269570	4.5	3.4	1.1
1997/98	14454.5	20.0	11054.5	22.2	3400.0	13.3	289798	5.0	3.8	1.2
1998/99	16562.4	14.6	11852.4	7.2	4710.0	17.2	330018	5.0	3.6	1.4
1999/00	17312.2	4.5	11812.2	-0.3	5500.0	16.8	366251	4.7	3.2	1.5
2000/01	19044.0	10.0	12044.0	2.0	7000.0	27.7	394052	4.8	3.1	1.8
2001/02	15698.7	-17.6	7698.6	-36.1	8000.0	14.3	406138	3.9	1.9	2.0
2002/03	13426.4	-14.5	4546.4	-40.9	8880.0	11.0	437546	3.1	1.0	2.1
2003/04	13236.8	-1.4	7629.0	67.8	5607.0	-36.8	474129	2.8	1.6	1.2
2004/05	18204.2	37.5	9266.1	21.5	8938.1	59.4	508651	3.6	1.8	1.8
2005/06	20048.5	10.1	8214.3	-11.4	11834.1	32.4	514460	3.9	1.6	2.3
2006/07	27945.8	39.4	10053.5	22.4	17892.3	51.2	530890	5.3	1.9	3.4
2007/08	31825.5	13.9	11325.5	12.7	20500.0	14.6	555850	5.7	2.0	3.7
Average annual growth rate		10.5		9.7		17.9		5.5	3.6	1.9

*Source: Nepal Rastra Bank, Ministry of Finance, Economic Survey, Journal and Various Issues.*

## Appendix (vi)

### Outstanding Public debt (1985/86 – 2007/08)

(Rs. In Million)

Fiscal year	Total outstanding debt (I)	Annual Growth Rate of (I)	External outstanding debt (II)	Annual Growth Rate (II)	Internal outstanding debt (III)	Annual growth rate of (III)	GDP(iv)	Annual Growth Rate of (iv)	'I' As % of GDP	'II' As % of GDP	'III' .As % of GDP	'II' As % of 'I'	'III' As % of 'I'
1985/86	17520.4	-	10330.2	-	7190.2	-	53215	-	32.9	19.4	13.5	59.0	41.0
1986/87	24169.3	37.9	15171.9	46.9	8997.4	25.1	61140	14.9	39.5	24.8	14.7	62.8	37.2
1987/88	32462.0	34.3	20826.0	37.3	11636.0	29.3	73170	19.7	44.4	28.5	15.9	64.2	35.8
1988/89	42104.8	29.7	29261.9	40.2	12887.9	10.8	85830	17.3	49.1	34.0	15.1	69.4	30.6
1989/90	51474.0	22.3	36800.9	25.6	14673.1	13.9	99702	16.2	51.6	36.9	14.7	71.5	28.5
1990/91	80361.2	56.1	59505.3	61.7	20855.9	42.1	116128	16.5	69.2	51.2	18.0	74.0	26.0
1991/92	94158.8	17.2	70923.9	19.2	23234.9	11.4	144937	24.8	65.0	48.9	16.0	75.3	24.7
1992/93	112876.8	19.9	87420.8	23.3	25456.1	9.6	165350	14.1	68.3	52.9	15.4	77.0	22.5
1993/94	132598.0	17.5	101966.8	16.6	30631.2	20.3	191596	15.9	69.2	53.2	16.0	76.9	23.1
1994/95	145058.8	9.4	113000.9	10.8	32057.8	4.7	209976	9.6	69.1	53.8	15.3	77.9	22.1
1995/96	162286.3	11.9	128044.4	13.3	34241.9	6.8	239388	14.0	67.8	53.5	14.3	78.9	21.1
1996/97	167977.7	3.5	132086.8	3.4	35890.9	4.8	269570	12.6	62.3	50.0	13.3	78.6	21.4
1997/98	199614.7	18.8	161208.0	22.0	38406.7	7.0	289798	7.5	68.9	55.6	13.3	80.8	19.2
1998/99	219136.5	9.8	169465.9	5.1	49669.6	29.3	330018	13.9	66.4	46.3	15.1	77.3	22.7
1999/00	245048.2	11.8	190691.2	12.5	54357.0	9.4	366251	11.0	66.9	2.1	14.8	77.8	22.8
2000/01	260448.1	6.3	200404.4	5.1	60043.7	10.5	394052	7.6	66.1	50.9	15.2	76.9	23.1
2001/02	293746.3	12.9	220125.6	9.8	73621.0	22.6	406138	3.1	72.3	54.2	18.1	74.9	25.1
2002/03	308078.5	4.9	223433.2	1.5	84645.3	15.0	437546	3.8	69.2	51.1	19.3	72.5	27.5
2003/04	318913.0	3.5	232779.3	4.2	86133.7	17.6	474129	7.2	67.3	49.1	18.2	73.0	27.0
2004/05	307200.0	-3.8	219640.0	-5.6	87560.0	1.7	508651	7.1	60.4	43.2	17.2	71.5	28.5
2005/06	328679.0	7.0	233968.6	6.5	94710.7	8.2	514460	1.1	63.9	45.5	18.4	71.2	28.8
2006/07	315932.8	-3.9	216628.9	-7.4	99303.9	4.8	530890	3.2	59.5	40.8	18.7	68.6	31.4
2007/08	353299.7	11.8	242060.6	11.7	111239.1	12.0	555850	4.7	63.6	43.5	20.1	68.5	31.5
Average annual growth rate		14.7		15.8		13.8		10.7	61.4	45.4	16.1	73.0	25.9

Sources: Nepal Rastra Bank, Ministry of Finance, Economic Survey, Journal and Various issues

## Appendix (vii)

### Pattern of Internal Net Outstanding (1985/86 – 2007/08)

(Rs. In Million)

Fiscal year	Treasury Bills I	Annual Growth Rate of I	Development Bonds II	Annual Growth Rate of II	National Saving Certificate III	Annual Growth Rate of III	Citizen Saving IV	Annual Growth Rate of IV	Special Bonds V	Annual Growth Rate of V	Total Internal Outstanding Debt VI	Annual Growth Rate of VI	I as % of VI	II as % of VI	III as % of VI	IV as % of VI	V as % of V
1985/86	3080.0	-	2290	-	1500.0	-	00	-	320.2	-	7190.2	-	42.8	31.8	20.9	-	4.5
1986/87	3440.0	11.7	2990.0	30.6	1940.0	29.3	00	-	627.4	95.9	8997.4	25.1	38.2	33.2	21.6	-	7.0
1987/88	4090.0	18.9	4651.7	55.6	2196.5	13.2	00	-	697.8	11.6	11636.0	29.3	35.1	40.0	18.9	-	6.0
1988/89	1171.0	-71.4	5088.6	9.4	2196.5	0	00	-	4431.8	535.4	12887.9	10.8	9.1	39.5	17.0	-	34.5
1989/90	1821.0	55.5	5388.6	5.9	2896.5	31.9	00	-	4567.0	3.1	14673.1	13.9	12.4	36.7	19.7	-	31.2
1990/91	2351.0	29.1	5482.3	1.7	3646.5	25.9	00	-	9376.1	105.3	20855.9	42.1	11.3	26.3	17.5	-	56.8
1991/92	3489.2	48.2	5132.2	-6.4	4546.3	24.7	00	-	10073.2	7.4	23234.9	11.4	15.0	22.1	19.6	-	43.4
1992/93	4403.2	26.4	5132.2	0	4901.5	7.8	00	-	11019.1	9.4	25456.1	9.6	17.3	20.2	19.3	-	43.3
1993/94	5216.3	18.5	4732.2	-7.8	5691.5	16.1	00	-	14991.2	36.0	30631.2	20.3	17.0	15.4	18.6	-	48.9
1994/95	6392.5	22.5	4122.2	-12.9	6076.4	6.8	00	-	15466.8	3.2	32057.8	4.7	19.9	12.9	18.6	-	48.2
1995/96	7142.5	11.7	3672.2	-10.9	7376.5	21.4	00	-	16050.6	3.8	34241.9	6.8	20.9	10.7	21.5	-	46.9
1996/97	8092.5	13.3	3042.2	-17.2	8736.5	18.4	00	-	16019.6	-1.9	35890.9	4.8	22.5	8.5	24.3	-	44.6
1997/98	9182.5	13.5	3302.2	8.5	9886.4	13.2	00	-	16035.5	0.09	38406.7	7.0	23.9	8.6	25.7	-	41.8
1998/99	17586.9	91.5	3872.2	17.3	10426.4	5.5	00	-	17784.2	10.9	49669.6	29.3	35.4	7.8	21.0	-	35.8
1999/00	21026.9	19.6	4662.2	10.1	11526.5	10.6	00	-	17541.4	-1.4	54357.0	9.4	38.7	7.8	21.2	-	32.3
2000/01	27610.8	31.3	5962.3	39.9	12476.4	8.2	00	-	13994.3	-20.2	60043.7	10.5	46.0	9.9	20.8	-	23.3
2001/02	41106.6	48.9	11090.7	86.0	11536.3	-7.5	628.1	-	9259.7	-33.0	73621.0	22.6	55.8	15.1	15.7	0.8	12.8
2002/03	46844.9	14.0	13090.7	18.0	10659.9	-7.6	931.1	48.2	9621.7	3.9	84645.3	15.0	63.1	17.6	14.3	1.2	13.0
2003/04	49429.6	5.5	17549.2	94.1	9029.8	-15.3	1178.9	26.6	8946.2	-7.0	86133.7	17.6	57.4	20.4	10.5	1.4	10.4
2004/05	51383.1	4.0	19999.2	14.0	6576.8	-27.2	1428.9	21.2	8176.3	-8.6	87560.0	1.7	58.7	22.8	7.5	1.6	9.3
2005/06	62970.3	22.6	17959.2	-10.2	3876.8	-41.1	1678.9	17.5	3469.8	-52.0	94710.7	8.2	70.0	20.0	4.3	1.9	3.9
2006/07	74445.3	18.2	19177.1	6.8	1516.9	-60.9	1391.0	-17.1	2773.5	-20.1	99303.9	4.8	75.0	19.3	1.5	1.4	2.8
2007/08	85003.0	14.2	211735.4	13.0	1116.9	-26.4	116.7	116.7	339.4	-87.8	111239.1	12.0	76.4	19.5	1.0	2.7	0.3
Average annual growth rate		20.3		15.0		1.6		9.3		25.8		13.8	37.5	19.9	16.6	0.5	8.1

Sources: Nepal Rastra Bank, Ministry of Finance, Economic Survey, Journal and Various issues



## Appendix (viii)

### Pattern of Internal Debt in term of Disbursement by Major Sources (1985/86 – 2007/08)

(Rs. In Million)

Fiscal year	Bilateral sources I	Annual Growth Rate of I	Multilateral sources II	Annual Growth Rate (II)	Total external Debt III	Annual growth of III	GDP	Annual growth rate of GDP	Percent share of bilateral Source as III	Percent share of Multilateral Source as III	I as % of GDP	II as % of GDP	III as % of GDP
1985/86	498.9	-	1872.0	-	2501.5	-	53215	-	21.0	79.0	0.9	3.5	4.4
1986/87	299.7	-39.9	2062.2	10.2	2705.8	8.2	61140	14.9	12.7	87.3	0.5	3.4	3.9
1987/88	462.7	54.4	2631.8	27.6	3815.8	41.0	73170	19.7	15.0	85.0	0.6	3.6	4.2
1988/89	507.8	9.7	3686.9	40.0	5666.4	48.5	85830	17.3	12.1	87.9	0.6	4.3	4.9
1989/90	1000.6	97.0	3627.7	-1.6	5959.6	5.2	99702	16.2	21.6	78.4	1.0	3.6	4.6
1990/91	1602.8	60.2	2757.2	-24.0	6256.7	5.0	116128	16.5	36.8	63.2	1.4	2.4	3.8
1991/92	2389.8	49.1	3879.6	40.7	6816.9	9.0	144937	24.8	38.1	61.9	1.6	2.8	4.4
1992/93	1307.8	-45.3	4654.1	20.0	6920.9	1.5	165350	14.1	21.9	78.1	0.8	2.8	3.6
1993/94	582.9	-55.4	8580.7	84.4	9163.6	32.4	191596	15.9	6.4	93.6	0.3	4.5	4.8
1994/95	717.3	23.1	6595.0	-23.1	7312.3	-20.2	209976	9.6	9.8	89.2	0.3	3.1	3.5
1995/96	460.0	-35.9	9003.9	36.5	9463.9	29.4	239388	14.0	4.9	95.1	0.2	3.8	3.9
1996/97	850.7	84.9	8192.9	-9.0	9043.6	-4.4	269570	12.6	9.4	90.6	0.3	3.0	3.3
1997/98	1314.5	54.5	9740.0	18.9	11054.5	22.2	289798	7.5	11.9	88.1	0.4	3.4	3.8
1998/99	584.0	-55.6	11268.4	15.7	11852.4	7.2	330018	13.9	4.9	95.1	0.2	3.4	3.6
1999/00	757.9	29.8	11054.3	-1.9	11812.2	-0.3	366251	11.0	6.4	93.6	0.2	3.0	3.2
2000/01	586.7	-22.6	11457.3	3.6	12044.0	2.0	394052	7.6	4.9	95.1	0.1	2.9	3.1
2001/02	87.0	-85.2	7611.6	-33.6	7698.6	-36.1	406138	3.1	1.1	98.9	0.02	1.9	1.9
2002/03	657.2	655.4	3889.2	-48.9	4546.4	-40.9	437546	3.8	14.5	85.5	0.1	1.0	1.1
2003/04	66.0	-90.0	7563.0	94.5	7629.0	67.8	474129	7.2	0.9	99.1	0.01	1.6	1.6
2004/05	126.5	91.7	9139.6	20.8	9266.1	21.5	508651	7.1	1.4	98.6	0.02	1.8	1.8
2005/06	40.6	-67.9	8173.7	-10.6	8214.3	-11.4	514460	1.1	0.5	99.5	0.008	1.6	1.6
2006/07	1048.9	2483.5	9004.6	10.2	10053.5	22.4	530890	3.2	10.4	89.6	0.2	1.7	1.9
2007/08	1054.4	5.2	15750.4	74.9	11325.5	12.7	555850	4.7	6.3	93.7	0.2	2.8	3.0
Average annual growth rate				18.1		9.7		10.7	11.9	79.5	0.4	2.9	3.3

Sources: Nepal Rastra Bank, Ministry of Finance, Economic Survey, Journal and Various issues

## Appendix (ix)

### Pattern of External Debt in term of Disbursement by Major Sources (1985/86 – 2007/08)

(Rs. In Million)

Fiscal year	Agriculture ,Irrigation & forestry I	Transport power & communication II	Industry & commerce III	Social Service IV	Others V	Total External Debt VI	Annual Growth Rate of VI	%share of I as VI	% share of II as VI	% share of III as VI	%share of IV as VI	% share of V as VI
1985/86	1068.7	845.2	232.6	224.6	0.0	2371.1		45.1	35.6	9.8	9.5	0.0
1986/87	834.5	1097.5	120.3	289.3	20.3	2361.9	-0.4	35.3	46.5	5.1	12.2	0.9
1987/88	1067.0	1598.6	193.6	228.4	6.7	3094.3	31.0	34.5	51.7	6.3	7.4	0.2
1988/89	1255.4	2447.9	145.0	334.7	5.7	4188.7	35.4	30.0	58.4	3.5	8.0	0.1
1989/90	1294.8	1758.6	645.9	922.5	6.5	4628.3	10.5	28.0	38.0	14.0	19.9	0.1
1990/91	1112.1	1531.8	1270.7	932.5	61.6	4908.7	6.1	22.7	31.2	25.9	19.0	1.3
1991/92	1632.1	2010.1	2143.7	483.5	0.0	6269.4	27.7	26.0	32.1	34.2	7.7	0.0
1992/93	1465.4	3299.6	663.3	533.4	0.0	5961.7	-4.9	24.6	55.3	11.1	8.9	0.0
1993/94	4904.8	3273.1	234.5	751.1	0.0	9163.6	53.7	53.5	35.7	2.6	8.2	0.0
1994/95	2429.8	3103.6	359.3	1419.6	0.0	7312.3	-20.2	33.2	42.4	4.9	19.4	0.0
1995/96	3054.4	4461.4	3.5	1784.3	160.3	9463.9	29.4	32.3	47.1	0.0	18.9	1.7
1996/97	2201.6	5131.5	17.5	1693.0	0.0	9043.6	-4.4	24.3	56.7	0.2	18.7	0.0
1997/98	2543.5	5813.0	167.9	2530.1	0.0	11054.5	22.2	23.0	52.6	1.5	22.9	0.0
1998/99	2925.1	6179.7	391.6	2312.3	43.7	11852.4	7.2	24.7	52.1	3.3	19.5	0.4
1999/00	2693.4	6039.5	283.8	2795.1	0.4	11812.2	-0.3	22.8	51.1	2.4	23.7	0.0
2000/01	3242.0	6012.6	0.0	2283.6	0.0	11538.2	-2.3	28.1	52.1	0.0	19.8	0.0
2001/02	2560.8	3593.7	49.5	1495.0	0.0	7698.6	-33.3	33.3	46.7	0.6	19.4	0.0
2002/03	1488.9	1080.5	28.3	1738.4	210.3	4546.4	-40.9	32.7	23.8	0.6	38.2	4.6
2003/04	1490.5	1843.3	0.0	4287.6	7.6	7629.0	67.8	19.5	24.2	0.0	56.2	0.1
2004/05	1214.7	2836.8	0.1	5212.5	2.0	9266.1	21.5	13.1	30.6	0.0	56.2	0.0
2005/06	971.9	2660.5	0	3901.4	671.6	8214.4	-12.8	11.6	32.5	0.0	47.5	8.4
2006/07	1656.8	3740.7	0.0	4656.0	0.00	10053.5	18.3	16.5	37.2	0.0	46.3	0.0
2007/08	2358.4	2006.1	0.0	4615.4	0.00	11325.5	11.2	20.8	17.7	0.0	40.7	0.0
Average annual growth rate							7.3	37.2	41.2	5.5	23.8	0.4

Sources: Nepal Rastra Bank, Ministry of Finance, Economic Survey, Journal and Various issues

## Appendix (x)

### National Outstanding Debt as GDP (1985/86 to 2007/08)

(Rs. In Million)

Fiscal year	Total outstanding debt (I)	Annual Growth Rate of (I)	External outstanding debt (II)	Annual Growth Rate (II)	Internal outstanding debt (III)	Annual growth rate of (III)	GDP(iv)	Annual Growth Rate of (iv)	'I' As % of GDP	'II' As % of GDP	'III' .As % of GDP
1985/86	17520.4	-	10330.2	-	7190.2	-	53215	-	32.9	19.4	13.5
1986/87	24169.3	37.9	15171.9	46.9	8997.4	25.1	61140	14.9	39.5	24.8	14.7
1987/88	32462.0	34.3	20826.0	37.3	11636.0	29.3	73170	19.7	44.4	28.5	15.9
1988/89	42104.8	29.7	29261.9	40.2	12887.9	10.8	85830	17.3	49.1	34.0	15.1
1989/90	51474.0	22.3	36800.9	25.6	14673.1	13.9	99702	16.2	51.6	36.9	14.7
1990/91	80361.2	56.1	59505.3	61.7	20855.9	42.1	116128	16.5	69.2	51.2	18.0
1991/92	94158.8	17.2	70923.9	19.2	23234.9	11.4	144937	24.8	65.0	48.9	16.0
1992/93	112876.8	19.9	87420.8	23.3	25456.1	9.6	165350	14.1	68.3	52.9	15.4
1993/94	132598.0	17.5	101966.8	16.6	30631.2	20.3	191596	15.9	69.2	53.2	16.0
1994/95	145058.8	9.4	113000.9	10.8	32057.8	4.7	209976	9.6	69.1	53.8	15.3
1995/96	162286.3	11.9	128044.4	13.3	34241.9	6.8	239388	14.0	67.8	53.5	14.3
1996/97	167977.7	3.5	132086.8	3.4	35890.9	4.8	269570	12.6	62.3	50.0	13.3
1997/98	199614.7	18.8	161208.0	22.0	38406.7	7.0	289798	7.5	68.9	55.6	13.3
1998/99	219136.5	9.8	169465.9	5.1	49669.6	29.3	330018	13.9	66.4	46.3	15.1
1999/00	245048.2	11.8	190691.2	12.5	54357.0	9.4	366251	11.0	66.9	2.1	14.8
2000/01	260448.1	6.3	200404.4	5.1	60043.7	10.5	394052	7.6	66.1	50.9	15.2
2001/02	293746.3	12.9	220125.6	9.8	73621.0	22.6	406138	3.1	72.3	54.2	18.1
2002/03	308078.5	4.9	223433.2	1.5	84645.3	15.0	437546	3.8	69.2	51.1	19.3
2003/04	318913.0	3.5	232779.3	4.2	86133.7	17.6	474129	7.2	67.3	49.1	18.2
2004/05	307200.0	-3.8	219640.0	-5.6	87560.0	1.7	508651	7.1	60.4	43.2	17.2
2005/06	328679.0	7.0	233968.6	6.5	94710.7	8.2	514460	1.1	63.9	45.5	18.4
2006/07	315932.8	-3.9	216628.9	-7.4	99303.9	4.8	530890	3.2	59.5	40.8	18.7
2007/08	353299.7	11.8	242060.6	11.7	111239.1	12.0	555850	4.7	63.6	43.5	20.1
Average annual growth rate		14.7		15.8		13.8		10.7	61.4	45.4	16.1

Sources: Nepal Rastra Bank, Ministry of Finance, Economic Survey, Journal and Various issues

## Appendix (xi)

### Share of External and Internal Debt Servicing in Total Debt Servicing (1985/86 to 2007/08)

(Rs. In Million)

Fiscal Year	Total Debt servicing	Annual Growth Rate Of total debt servicing	External debt servicing	Annual growth of external debt servicing	Internal debt servicing	Annual Growth Rate of internal debt servicing)	%share of external debt servicing as total debt servicing	% share of internal debt servicing as
1985/86	1305.0	-	285.7	-	1019.3	-	21.9	78.1
1986/87	1683.6	29.0	487.0	70.5	1196.6	17.4	28.9	71.1
1987/88	2032.6	20.7	591.0	21.4	1441.6	20.5	29.1	70.9
1988/89	2422.0	19.2	701.3	18.7	1720.7	19.4	29.0	71.0
1989/90	3402.8	40.5	1123.6	60.2	2279.2	32.5	33.0	67.0
1990/91	3493.9	2.7	1086.5	-3.3	2407.4	5.6	31.1	68.9
1991/92	5462.0	56.3	1664.9	53.2	3797.1	57.7	30.5	69.5
1992/93	6692.4	22.5	2131.9	28.0	4560.5	20.1	31.9	68.1
1993/94	7343.8	9.7	2488.7	16.7	4855.1	6.5	33.9	66.1
1994/95	9068.0	23.5	2984.7	19.9	6083.3	25.3	32.9	67.1
1995/96	10019.8	10.5	3304.3	10.7	6715.5	10.4	33.0	67.0
1996/97	10876.6	8.6	3349.4	1.4	7527.2	12.1	30.8	69.2
1997/98	11884.0	9.3	4201.2	25.4	7682.8	2.1	35.4	64.6
1998/99	10273.2	-13.6	4745.5	13.0	5527.7	-28.1	46.2	53.8
1999/00	11674.2	13.6	5321.4	12.1	6352.8	14.9	45.6	54.4
2000/01	12089.2	3.6	6201.4	16.5	5887.8	-7.3	51.3	48.7
2001/02	14021.4	16.0	6567.5	5.9	7453.9	26.6	46.8	53.2
2002/03	18204.3	29.8	7519.2	14.5	10685.1	43.3	41.3	58.7
2003/04	19481.9	7.0	7908.8	5.2	11573.0	8.3	40.6	59.4
2004/05	21899.4	12.4	8101.3	2.4	13798.1	19.2	37.0	63.0
2005/06	22587.4	3.1	9151.4	13.0	13436.0	-2.6	40.5	59.5
2006/07	24972.0	10.6	9594.5	4.8	15377.5	14.4	38.4	61.6
2007/08	25951.4	4.0	10014.7	4.4	15900.7	3.4	38.6	61.4
Average annual growth rate.		14.8		18.0		15.5	35.6	64.0s

Source: Various issues of budget speeches, Economic Survey, Quarterly economic bulletin, MOF, GON and NRB.

## Appendix (xii)

### Internal Debt Servicing as Percentage of GDP, Regular Expenditure and Total Revenue (1985/86 to 2007/08)

Rs. In Million

Fiscal year	Total revenue (TR)	Annual Growth Rate of (TR)	Regular Expenditure (RE)	Annual Growth Rate (RE)	Internal Debt Servicing (IDS)	Annual growth rate of (IDS)	GDP	Annual Growth Rate of GDP	'IDS' As % of TR	IDS as % of RE	IDS. As % of GDP
1985/86	4644.5	-	3524.0	-	1019.3	-	53215	-	21.9	28.4	1.9
1986/87	5975.1	28.6	4135.2	15.4	1196.6	17.4	61140	14.9	20.0	29.0	2.0
1987/88	7350.4	23.0	4622.1	11.8	1441.6	20.5	73170	19.7	19.6	31.2	2.0
1988/89	7776.9	5.8	5676.5	22.8	1720.7	19.4	85830	17.3	22.1	30.3	2.0
1989/90	9287.5	19.4	6572.5	15.8	2279.2	32.5	99702	16.2	24.5	34.2	2.3
1990/91	10729.0	15.5	7573.9	15.2	2407.4	5.6	116128	16.5	22.4	31.8	2.1
1991/92	13512.7	25.9	9905.4	30.8	3797.1	57.7	144937	24.8	28.1	38.3	2.6
1992/93	15148.4	12.1	11484.1	15.9	4560.5	20.1	165350	14.1	30.1	39.7	2.8
1993/94	19580.9	29.3	12409.2	8.0	4855.1	6.5	191596	15.9	24.8	39.1	2.5
1994/95	24575.9	25.5	19245.4	55.1	6083.3	25.3	209976	9.6	24.8	31.6	2.9
1995/96	27893.1	13.5	21563.8	12.0	6715.5	10.4	239388	14.0	24.1	31.6	2.8
1996/97	30373.5	8.9	24181.1	12.1	7527.2	12.1	269570	12.6	24.8	31.1	2.8
1997/98	32957.9	8.4	27174.4	12.4	7682.8	2.1	289798	7.5	23.3	28.3	2.7
1998/99	37251.3	13.1	31047.4	14.2	5527.7	-28.1	330018	13.9	14.8	17.3	1.7
1999/00	42893.7	15.1	34523.3	11.2	6352.8	14.9	366251	11.0	14.8	17.9	1.7
2000/01	48893.9	14.0	42769.2	23.9	5887.8	-7.3	394052	7.6	12.0	12.8	1.5
2001/02	50445.6	3.2	48893.9	14.3	7453.9	26.6	406138	3.1	14.8	15.3	1.8
2002/03	56229.7	11.5	50445.6	3.2	10685.1	43.3	437546	3.8	19.0	20.5	2.4
2003/04	62331.0	10.9	55552.1	10.1	11573.0	8.3	474129	7.2	18.6	20.8	2.4
2004/05	70122.7	12.5	61686.4	11.0	13798.1	19.2	508651	7.1	19.7	22.4	2.7
2005/06	72282.1	3.1	67017.8	8.6	13436.0	-2.6	514460	1.1	18.6	20.0	2.6
2006/07	87712.1	21.3	77122.4	15.1	15377.5	14.4	530890	3.2	17.5	19.9	2.9
2007/08	107622.7	22.7	98172.5	27.3	15900.7	3.4	555850	4.7	14.8	16.9	2.9
Average annual growth rate		14.9		15.9		15.5		10.7	20.6	26.4	2.3

Sources: Nepal Rastra Bank, Ministry of Finance, Economic Survey, Journal and Various issues

### Appendix (xiii)

## Outstanding Public Debt, Development Expenditure and Debt Servicing (1985/86 to 2007/08)

(Rs. In Million)

Fiscal Year	Total Outstanding Public Debt(1)	Annual Growth Rate Of (1)	Total Debt Servicing (2)	Annual growth of (2)	Development Expenditure. (3)	Annual Growth Rate of (3)	(1) as % of development Expenditure	(2) as % of Dev. Expenditure
1985/86	17520.4	-	1305.0	-	6213.3	-	282.0	21.0
1986/87	24169.3	37.9	1683.6	29.0	7378.0	18.7	327.6	22.8
1987/88	32462.0	34.3	2032.6	20.7	9428.0	27.8	344.0	21.5
1988/89	42104.8	29.7	2422.0	19.2	12328.7	30.8	341.5	19.6
1989/90	51474.0	22.3	3402.8	40.5	12997.5	5.4	396.0	26.2
1990/91	80361.2	56.1	3493.9	2.7	15979.5	22.9	502.9	21.9
1991/92	94158.8	17.2	5462.0	56.3	16512.8	3.3	570.2	33.1
1992/93	112876.8	19.9	6692.4	22.5	19413.6	17.6	581.4	34.5
1993/94	132598.0	17.5	7343.8	9.7	21188.2	9.1	625.8	34.5
1994/95	145058.8	9.4	9068.0	23.5	19794.9	-6.6	732.8	45.8
1995/96	162286.3	11.9	10019.8	10.5	24980.5	26.2	649.6	40.1
1996/97	167977.7	3.5	10876.6	8.6	26542.5	6.2	632.9	41.0
1997/98	199614.7	18.8	11884.0	9.3	28943.9	9.0	689.7	41.1
1998/99	219136.5	9.8	10273.2	-13.6	27634.8	-4.5	798.4	37.0
1999/00	245048.2	11.8	11674.2	13.6	30693.4	11.1	766.0	38.0
2000/01	260448.1	6.3	12089.2	3.6	33997.8	10.8	766.1	35.5
2001/02	293746.3	12.9	14021.4	16.0	31208.3	-8.2	941.2	44.9
2002/03	308078.5	4.9	18204.3	29.8	31915.6	2.2	965.3	57.0
2003/04	318913.0	3.5	19481.9	7.0	33890.5	6.2	941.0	57.5
2004/05	307200.0	-3.8	21899.4	12.4	27340.7	-19.3	1123.6	80.1
2005/06	328679.3	7.0	22587.4	3.1	28109.4	2.8	1169.3	80.3
2006/07	315932.8	-3.9	24972.0	10.6	39709.9	41.3	795.6	62.9
2007/08	353299.7	11.8	25951.4	4.0	53794.0	35.5	656.8	48.2
Average annual growth rate.		14.7		14.8		10.8	672.8	41.1

Source: Various issues of budget speeches, Economic Survey, Quarterly economic bulletin, MOF, GON and NRB.

## Appendix (xiv)

### External Debt Flow and Its Servicing (1985/86 to 2007/08)

(Rs. In Million)

Fiscal Year	External (new borrowing)	Annual growth of external borrowing	External debt servicing	Annual growth rate of external debt servicing	External debt servicing as % of external borrowing
1985/86	2501.1	-	285.7	-	11.4
1986/87	2705.8	8.2	487.0	70.5	18.0
1987/88	3815.8	41.0	591.0	21.3	15.5
1988/89	5666.4	48.5	701.3	18.7	12.4
1989/90	5959.4	5.2	1121.9	60.0	18.8
1990/91	6256.7	5.0	1086.5	-3.1	17.4
1991/92	6816.9	9.0	1664.9	53.2	24.4
1992/93	6920.9	1.5	2131.9	28.0	30.8
1993/94	9163.6	32.4	2488.7	16.7	27.2
1994/95	7312.3	-20.2	2984.7	19.9	40.8
1995/96	9463.9	29.4	3294.3	10.4	34.8
1996/97	9043.6	-4.4	3349.4	1.7	37.0
1997/98	11054.4	22.2	4201.2	25.4	38.0
1998/99	11852.4	-0.3	4745.5	12.9	40.0
1999/00	11812.2	-0.3	5321.4	12.1	45.0
2000/01	12044.0	2.0	6201.4	16.5	51.5
2001/02	7698.7	-36.1	6567.5	5.9	85.3
2002/03	4546.4	-40.9	7519.2	14.5	165.4
2003/04	7629.0	67.8	7908.9	5.2	103.7
2004/05	9266.1	21.5	8101.3	2.4	87.4
2005/06	8214.3	-11.4	9151.4	13.0	111.4
2006/07	10053.5	22.4	9594.5	4.8	95.4
2007/08	11325.5	12.7	10014.7	4.4	88.4
Average annual growth rate.		9.7		18.0	52.2

*Source: Various issues of budget speeches, Economic Survey, Quarterly economic bulletin, MOF, GON and NRB.*

## Appendix (xv)

### Ratio of External Outstanding Debt and Import Payment (1985/86 to 2007/08)

(Rs. In Million)

Fiscal Year	External outstanding debt	Annual growth rate of external outstanding debt	Import payments	Annual growth rate of import payments	Import payments as % of external outstanding debt
1985/86	10330.2	-	9341.2	-	90.0
1986/87	15171.9	46.9	10905.2	16.7	71.9
1987/88	20826.0	37.3	13869.6	27.2	66.6
1988/89	29216.9	40.2	16263.7	17.3	55.7
1989/90	36800.9	25.6	18324.9	12.8	49.8
1990/91	59505.3	1.7	23226.3	26.7	39.0
1991/92	70923.9	19.2	31940.0	37.5	45.0
1992/93	87420.8	23.3	39205.6	22.7	44.8
1993/94	101966.8	16.6	51570.8	31.5	50.6
1994/95	113000.0	10.8	63679.5	23.5	56.3
1995/96	128044.4	13.3	74454.5	16.9	58.1
1996/97	132086.8	3.4	93553.4	25.6	70.8
1997/98	161208.0	22.0	89002.0	-4.9	55.2
1998/99	169465.9	5.1	87525.3	-1.7	51.6
1999/00	190691.2	12.5	108494.9	23.9	56.9
2000/01	200404.4	5.1	115687.2	6.6	57.7
2001/02	220125.6	9.8	107389.0	-7.2	48.8
2002/03	223433.2	1.5	124352.1	15.8	55.6
2003/04	232779.3	4.2	136277.1	9.6	58.5
2004/05	219641.9	-5.6	149431.6	18.4	68.1
2005/06	233968.6	6.5	173780.3	16.3	74.3
2006/07	216628.9	-7.4	194694.6	12.0	89.9
2007/08	242060.6s	11.7	221937.7	14.0	91.7
Average annual growth rate		15.8		15.7	61.2

Source: Various issues of budget speeches, Economic Survey, Quarterly economic bulletin, MOF, GON and NRB.



## REFERENCE

### Books and Articles

- A Dictionary of Economic (1998). *The New Palgrave*, Mac Million, London.
- Acharya Purshotam (1968). "A Case Study Public Debt in Nepal," M.A. Thesis, T.U. Kirtipur, Kathmandu.
- Acharya, K.P. (1998). *Burden of Public Debt in Nepal: Debt Trap and its Management*, NEFAS, Kathmandu: Nepal.
- Adhikari, N.R. (2006). "A Study on Trend and Structure of Public Debt in Nepal," M.A. Thesis, T.U. Kirtipur, Kathmandu.
- Adhikari, Urmila (1996). "Foreign Debt Servicing: A Case Study," *Journal of Public Finance and Development*, Rajaswa Vol. 2 RATC, HMG/N.
- Agrawal, G.P. (1980). *Resource Mobilization in Nepal*, CEDA. Kathmandu.
- Basnet, Nirajan (2003). "A Study on Public Debt in Nepal," M.A. Thesis, T.U. Kirtipur, Kathmandu.
- Bhargava R.N. (1956). *The Theory of and Working of Union Finance in India*, London: George Allen and Unwin it a, 1956.
- Bhatiya H.L. (2003). *Public Finance*, 24th Edition, Vicas Publishing House Pvt. Janpura: New Delhi, India.
- Buchman James M. (1966). *The Public Finance*, The University of North Caroline Press, U.S.A.
- Chellian, R.J. (196). *Fiscal Policy in Underdeveloped Countries*. London: George Allemn and Inwin Ltd. New Delhi: India.
- Dahal M.K. (2000). *Development Challenger for Nepal*, NEFAS, Kathmandu: Nepal.
- Domar E.D. (1944). *The Burden of the Debt and National Income*, American Economic Review XXXIV, December.
- Economic Survey (Various Issues, Ministry of Finance).

- Gerala, Meir (ed, 1970). *Leding Issues in Economic Development*, New York: Oxford University.
- Good, Richard. (1984). *Government Finance in Developing Countries*, Tata McGraw Hill Publishers House Company Ltd. New Delhi: India.
- Groves, Hauod M. (1950). *View Point on Public Finance*, Quarterly Journal of Economics.
- Gurley, J.G. and Show, I.S. (1995). *Financial Aspect of Economic Development*, The American Review (XIV)
- Gurugharana, K.K. (1996). "The Role of Foreign Aid in Economic Development and Poverty Alleviations," *Journal of Public Finance and Development*, Rajaswa Vol.2. RaTC, HMG/N.
- Hansen A.H. (1941). *Fiscal Policy and Business Cycles*, New York: N.W. Narten and Company, Page 179.
- Harris (1974). *The National Debt and New Economics*, McGraw Hill Book Company, page 131.
- Hicks U.K (1954). *Public Finance Cambridge University Press*. 1959
- IMF Working Paper (2002). *The Choice Between External and Domestic Debt in Financing Budget Deficits*.
- Joshi M.R. (1982). "Structure of Public Debt in Nepal," M.A Thesis, CEDECON, T.U. Kirtipur, Kathmandu: Nepal.
- Khanal, S.B. (2000). "Public Debt in Nepal: A Study of its Structure and Burden," M.A Thesis, T.U., Kirtipur.
- Khatiwada Y.R. (1998). "Public Debt Management and Macroeconomic Stability," *NFFAS*, Kathmandu: Nepal.
- Koirala, L.B. (2002). "Effective Public Debt Management in Nepalese Perspective," CEDA T.U., Kirtipur: Nepal.

- Kunwar, K.B. (2000). "Government Borrowing: System and Practice in Nepal," M.A. Thesis, T.U. Kiritpur, Kathmandu.
- Learner, A.P. (1956). *Economic of Employment*, Oxford University Press, London: Page 274.
- Lekhi R.K (1990). *The Economies of Development and Planning*, Kalyani Publish New Delhi: Ludhivana India, U. P.
- Musgrave, R.A and P.B (1989). *Public Finance in Theory and Practice*, New York: Book Co Page 550.
- Musgrave, R.A. (1959). *The Theory of public Finance*, New York: McGraw Hill Co.
- Nepal Rastya Bank (1918). *Report of the Board of Directors to his Majesties Government for Fiscal Year 2014/15 to 2017/18 (Nepali)*.
- Neupane, Ajendra (2007). "A Study on Role and Burden of Public Debt in Nepal," M.A Thesis, T.U., Kirtipur.
- Neupane, G.P., *Analysis of External Debt Servicing Capacity in Nepal* (Article).
- Pant, D.R. (2008). "Trend and Structure of Public Debt in Nepal," M.A Thesis, T.U., Kirtipur.
- Pigou, A.C (1949). *A Study in Public Finance*, London: J Mac Millan and Co.
- Poudyal T.R. (2003). "Trend and Structure of Public Debt in Nepal," M.A Thesis, T.U., Kirtipur.
- Samuelson, P.A (1964). *Economic an Introductory Analysis*. Tokyo: International Students edition.
- Sharma B.P. (1987). "Burden of Public Debt in Nepal," M.A. Thesis (TU), Kirtipur: Nepal.

- Sharma, Gunanidhi (1998). "The Growing Fiscal Imbalance in Nepal: Are We Falling into the Debt Trap?"(Article), *Debt Trap and its Management* (ed.) Ltd. Kathmandu: Nepal.
- Singh, S.K (1983). *Public Finance and Practice*, S Chand and Company Ltd. New Delhi: India.
- Subedi Rawat (2004). "A Case Study of Public Debt in Nepal," Thesis Submitted to the Central Department of Economics, T.U. Kirtipur.
- Taylor Philips E. (1971). *The Economics of Public Finance*, New York: Mac Millan and Co.
- Thapa Nara. B. (1997). *Adhoc Treasury Bill Vs Ways and Means Advanced Debate on Their Implication for Monetary Policy*,
- Todaro Michael P. (1985). *Economic Development in the Third World Countries*, Oriane: Long Ten.
- Upadhyaya, K.P (1985). *External Debt and Debt Servicing in Nepal*. Center for Economic Development and Administration, T.U Kirtipur Kathmandu: Nepal.
- World Bank (1985). *Nepal Fiscal Restructuring and Public Resource Management in the Nineties*, Document of WB XVII. Washington D.C.: America.

## **Publication**

Budget Speeches (Various Issues) MOF, Government, Kathmandu, Nepal (1985-2008) Economic Surveys (Various Issues) MOF, Government, Kathmandu Nepal (1985-2008). Quarterly Economic Bulletin (Various Issues) NRB, Kathmandu Nepal (1985-2008). World Bank Annual Report, 1996. World Bank Publication. World Development Report (1994). Oxford University Press, Statistical Pocket Book, CBS, 1997 Burden of P.D.