

# **EFFECTS OF PUBLIC DEBT ON INTEREST RATE OF NEPAL**

**A Thesis**

**Submitted to**

**Central Department of Economics**

**Faculty of Humanities and Social Sciences**

**Tribhuvan University**

**In the Partial Fulfillment of Requirement for the**

**Master Degree of Arts**

**in**

**Economics**

**By**

**Indu Chaudhary**

**Roll No: 80/2017**

**Regd.No:6-3-28-23-2016**

**Central Department of Economics**

**Tribhuvan University**

**Kirtipur, Kathmandu, Nepal**

**2021**

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Kirtipur, Kathmandu, Nepal  
2021**

## LETTER OF RECOMMENDATION

This thesis entitled *Effects of Public Debt on Interest Rate of Nepal* has been prepared by **Ms. Indu Chaudhary** under my supervision. I hereby recommend this thesis for examination by the Thesis Committee as a partial fulfillment of the requirements for the **Degree of Master of Arts in Economics**.

.....  
Yogesh Ranjit (Ph D.)  
Associate Professor  
(Thesis Supervisor)

Date: B. S. 2077 / 11 / 21(2021 – 03 - 05 A. D.)

## APPROVAL LETTER

We member of thesis committee, evaluated the thesis entitled *Effects of Public Debt on Interest Rate of Nepal* prepared by **Ms. Indu Chaudhary** to the Central Department of Economics, Faculty of Humanities and Social Sciences in partial fulfillment of the requirements of the degree of **Master of Arts in Economics** have found satisfactory in scope and quality. Therefore, we accept this thesis as a part of the Degree.

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Yogesh Ranjit (Ph D.)  
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(Acting Head of Department)

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Date: B. S. 2077 / 11 / 28 (2021 – 03 – 12 A. D.)

## **DECLARATION**

I, Indu Chaudhary, the degree candidate, hereby declare that the work presented in this thesis is genuine work done by me under closer guidance and supervision of the respective supervisor Associate Professor Dr.Yogesh Ranjit, following the stipulated guidelines and the same report has not been submitted elsewhere for the reward of any degree.All the sources of information referred in this work are acknowledged with reference to the respective authors.I firmly understand that this document becomes a university property on its acceptance and promise to abide by the respective norms of the university in this respect.

.....

Indu Chaudhary

Date

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At last, I bear sole responsibility for any errors and discrepancies that might have occurred in the study.

**Indu Chaudhary**

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## **ABBREVIATIONS**

ADB	=	Asian Development Bank
BOP	=	Balance of Payment
ED	=	External Debt
EU	=	European Union
FY	=	Fiscal Year
ID	=	Internal Debt
IR	=	Interest Rate
M <sub>2</sub>	=	Broad Money Supply
NRB	=	Nepal Rastra Bank
OECD	=	Organization for Economic Co-operation and Development
OLS	=	Ordinary Least Square
PAVR	=	Panel Vector Auto Regression
REH	=	Ricardian Equivalence Theorem
VAR	=	Vector Auto Regression
VECM	=	Vector Error Correction Model
WB	=	World Bank