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NEPAL'S PREMIER BUSINESS MAGAZINE

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"The New Government Has an Opportunity to Advance Deeper Structural Reforms"



▲ Pranav Kumar Gupta

THE MAKING OF NEPAL'S PLATFORM ECONOMY

From payments to platforms, Nepal's digital pioneers are racing to own everyday life. The next battle will be fought over identity, data and infrastructure.



REPORTS

THE RS 400 BILLION ECONOMY NOBODY WAS COUNTING

HOW CABLE CARS ARE RESHAPING TOURISM

THE GREAT NEA BREAKUP

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Nepal's Platform Economy Needs Institutions, Not Just Innovation



Nepal's platform economy has reached a turning point. What began with digital wallets and online food delivery has evolved into a network of payment systems, ride-hailing services, e-commerce platforms, logistics providers, and digital public services that increasingly shape the daily lives of millions of Nepalis. Consumers today can travel, shop, pay bills, transfer money, and access government services through their smartphones. This transformation deserves recognition. Yet the country's next phase of digital growth will not be determined by how many new apps are launched. It will depend on whether Nepal can build the institutional foundations that allow those platforms to reach their full potential.

The evidence is clear. Nepal's digital payment ecosystem has expanded at an extraordinary pace. Digital wallet and mobile banking accounts now exceed the country's population, while QR payments have become mainstream. Companies such as eSewa, Khalti, Pathao, Foodmandu, Daraz, Fonepay and NCHL are no longer simply offering individual services. They are building ecosystems that seek to become an integral part of everyday life.

But despite this impressive growth, users still experience a fragmented digital economy. Paying for a ride often requires switching between multiple applications. Delivery riders continue calling customers because Nepal lacks a standardized addressing system. Cash on delivery remains dominant across much of e-commerce, while regulatory frameworks continue to treat platform businesses through outdated models designed for traditional industries. These are not technological failures. They are institutional ones.

Perhaps the greatest irony is that many of the obstacles slowing Nepal's digital economy lie entirely outside the control of private companies. No platform can independently create a national address system, modernize telecommunications infrastructure, establish digital identity standards, reform gig worker regulations, or develop comprehensive data governance. These are public goods that require government leadership and coordinated policymaking.

The regulatory approach must also evolve. Innovation inevitably moves faster than legislation, but regulation should facilitate responsible experimentation rather than discourage it. Gig workers require social protection that reflects the flexible nature of platform work instead of forcing them into frameworks designed for permanent employment. Digital lending requires clear privacy laws, consent-based data sharing, and modern credit-scoring systems. Equally important is investment in Digital Public Infrastructure (DPI). Secure digital identity, electronic Know Your Customer (eKYC), consent-based data sharing, and interoperable public platforms are becoming the backbone of modern digital economies across Asia. Nepal already possesses many of the building blocks, including the National ID system and Nagarik App. The challenge now is integrating these assets into a trusted national framework that enables both public services and private innovation.

Nepal's platform economy has already proven that local companies can innovate despite limited resources. The next challenge is no longer technological capability. It is whether the country can build the institutions, infrastructure, and policy environment that allow innovation to flourish sustainably. The platforms have arrived. Now the institutions must catch up. ■

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MORE FOREIGN INVESTORS, SMALLER BETS

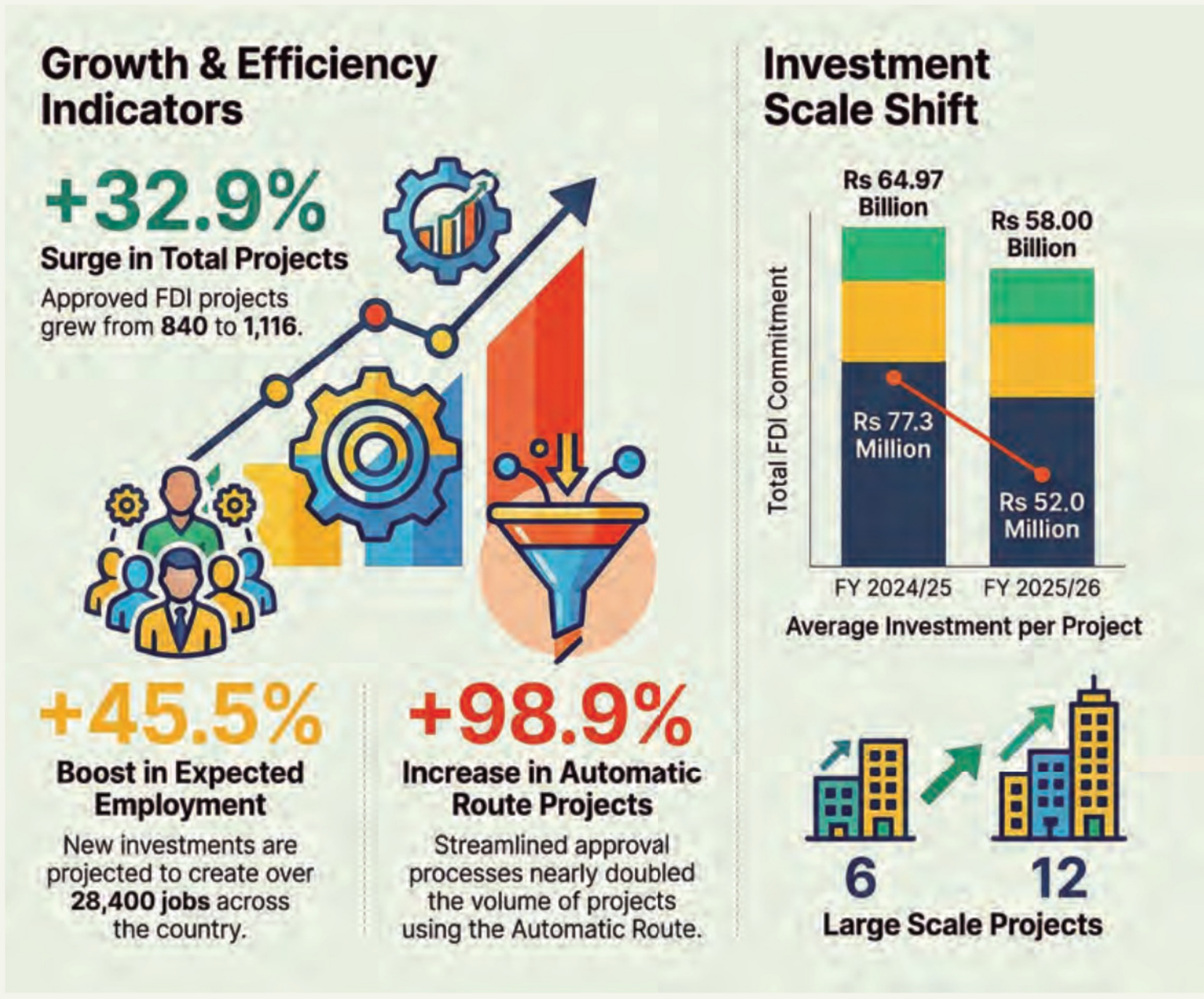
Nepal attracted a record number of foreign investment proposals in FY 2025/26, but the surge masked a more sobering reality. While the country approved nearly one third more foreign funded projects than a year earlier, the total value of investment commitments fell, underscoring the continued absence of large, transformative investments. Data from the Department of Industry (DoI) show that Nepal approved 1,116 foreign investment projects worth Rs 58 billion during the fiscal year. That compares with 840 projects worth Rs 64.97 billion in FY 2024/25.

The numbers tell two contrasting stories. Project approvals jumped 32.9 percent, yet the value of approved foreign investment declined by 10.7 percent. The gap reflects a clear shift toward smaller investment proposals rather than larger industrial ventures. Average committed investment per project fell sharply to about Rs 52 million from Rs 77.3 million a year earlier, a decline of nearly one third. It is worth noting that these figures represent approved investment commitments rather than actual foreign capital inflows.

Small Projects Drive the Numbers

The expansion in approvals came almost entirely from small scale projects. Of the 1,116 projects approved during the year, 1,092 were classified as small industries. Only 12 projects each fell under the medium and large industry categories. Although the number of large projects doubled from six to 12, they still represented just 1.1 percent of total approvals.

The figures reinforce a familiar pattern. Nepal is attracting more investors, but most are entering with relatively modest commitments that are unlikely



FDI AT A GLANCE

Indicator	FY 2024/25	FY 2025/26	Change
Total approved FDI projects	840	1,116	+32.9%
Total FDI commitment (Rs billion)	64.97	58.00	-10.7%
Expected employment	19,536	28,423	+45.5%
Automatic Route projects	451	897	+98.9%
Approval Route projects	389	219	-43.7%
Automatic Route commitment (Rs billion)	4.61	9.58	+107.8%
Approval Route commitment (Rs billion)	60.35	48.42	-19.8%

to significantly expand industrial capacity or reshape the economy.

Agriculture Becomes the Biggest FDI Destination

Perhaps the biggest surprise in this year's data is the dramatic change in sectoral investment. Agriculture and forestry overtook services to become Nepal's largest destination for foreign investment. The sector attracted Rs 23.19 billion, or 40 percent of total approved commitments, from just 18 projects.

Tourism ranked second, drawing Rs 14 billion across 227 projects, while four energy projects secured Rs 7.17 billion. The service sector, which topped the rankings a year earlier, received only Rs 4.91 billion. Manufacturing attracted Rs 3.91 billion, ICT Rs 2.83 billion, infrastructure Rs 1.80 billion and mineral based industries Rs 185 million.

The shift is striking compared with FY 2024/25, when services attracted Rs 30.91 billion and tourism received Rs 26.82 billion, while agriculture secured only Rs 1.47 billion. Agriculture related commitments increased by more than Rs 21.7 billion in a single year, while service sector investment declined by almost Rs 26 billion and tourism commitments fell by nearly Rs 13 billion.

ICT Dominates by Numbers, Not by Capital

Information and communication technology continued to attract the largest number of foreign investors. The DoI approved 727 ICT projects, accounting for 65.1 percent of all FDI approvals during the year. Yet these projects accounted for only Rs 2.83 billion, or less than 5 percent of total committed investment. The average ICT project involved just Rs 3.9 million in pledged investment. By contrast, agriculture averaged about Rs 1.29 billion per project, while energy projects averaged nearly Rs 1.8 billion each. ■

SECTOR WISE FDI COMMITMENTS (FY 2025 TO 26)

Sector	Projects	Commitment (Rs billion)	Share	Share of Projects
Agriculture & Forestry	18	23.19	40.0%	1.6%
Tourism	227	14.00	24.1%	20.3%
Energy	4	7.17	12.4%	0.4%
Service	71	4.91	8.5%	6.4%
Manufacturing	63	3.91	6.7%	5.6%
ICT	727	2.83	4.9%	65.1%
Infrastructure	2	1.80	3.1%	0.2%
Mineral	4	0.19	0.3%	0.4%
Total	1,116	58.00	100%	100%

SECTOR WISE COMPARISON

Sector	FY 2024/25 (Rs bn)	FY 2025/26 (Rs bn)	Amount Change (Rs bn)	Percentage Change
Agriculture	1.47	23.19	21.72	1481.7% increase
Tourism	26.82	14.00	12.83	47.8% decrease
Service	30.91	4.91	25.99	84.1% decrease
Manufacturing	3.84	3.91	0.07	1.8% increase
Energy	0.03	7.17	7.14	28012.5% increase
ICT	1.85	2.83	0.98	53.2% increase
Infrastructure	0.05	1.80	1.75	3508.8% increase
Mineral	0.00	0.19	0.19	

SCALE OF PROJECTS

Scale	FY 2024/25	FY 2025/26	Change	Share of Projects
Small	824	1,092	32.5% increase	1.6%
Medium	10	12	20.0% increase	1481.7% increase
Large	6	12	100.0% increase	47.8% decrease
Total	840	1,116	32.9% increase	84.1% decrease

Source: Department of Industry

Government Lays Groundwork for Entry into Global Bond Markets

A proposed overhaul of Nepal's public debt management law would allow the government to issue sovereign bonds in foreign currencies, marking a significant policy shift as the country prepares for a future with less concessional financing.

■ NewBiz Report

Nepal is taking its first legislative step toward tapping international capital markets. A draft bill to amend and consolidate the country's public debt management laws would allow the government to issue sovereign bonds in foreign currencies, creating the legal foundation for raising funds from global investors for the first time.

The proposal, unveiled by the Ministry of Finance, authorises the Public Debt Management Office (PDMO) to issue government securities in either domestic or foreign currencies through auctions or other prescribed methods. The bonds could be purchased by both domestic and foreign individuals and institutions.

Until now, Nepal has financed its external borrowing almost entirely through concessional loans from multilateral lenders such as the World Bank and the Asian Development Bank (ADB), along with bilateral development partners. It has never accessed international capital markets through market based sovereign debt instruments.

The proposed legal change comes at a time when Nepal is preparing for its graduation from the Least Developed Country (LDC) category. As the country moves up the development ladder, concessional financing and Official Development Assistance (ODA) are expected to become less accessible. Policymakers increasingly see international capital markets as a potential source of long-term development finance.

Economists say the proposal is more about preparing for the future than meeting an immediate financing need. Nepal currently enjoys comfortable foreign exchange reserves and ample domestic liquidity. Yet they argue that establishing the legal and institutional framework today will give the government greater financing flexibility in the years ahead.

Former Vice Chairman of the National Planning Commission Prakash Kumar Shrestha says issuing sovereign bonds in international markets is a standard financing tool used by many emerging economies.

"If development assistance continues to decline and Nepal advances toward a higher income status, the country may eventually need to raise funds by issuing bonds in international financial markets," Shrestha said. "At this stage, the government is simply creating the legal pathway. That is a positive development."

According to him, Nepal's sovereign credit rating will ultimately determine how expensive such borrowing would be.

"A stronger credit profile translates into lower borrowing costs. It is impossible to say today what interest rate Nepal would pay because that will depend on market conditions, investor appetite and Nepal's sovereign credit rating," he said.

Fitch Ratings reaffirmed Nepal's BB minus sovereign credit rating in November 2025, unchanged from the previous year. While the rating remains below investment grade, Fitch noted that Nepal's debt servicing capacity, foreign exchange reserves and medium-term economic prospects remain relatively strong.

Shrestha believes Nepal is under no immediate pressure to borrow from overseas markets. However, he says the country should not wait until concessional financing begins to dry up before putting the necessary legal framework in place.

Former Secretary Kewal Prasad Bhandari also supports the government's long-term approach but warns that commercial borrowing from international markets is unlikely to be cheaper than the financing Nepal currently receives.

"At present, Nepal borrows from the World Bank and the ADB at interest rates ranging from below 1 percent to about 1.5 percent. The World Bank recently increased the interest rate on its lending to Nepal from 0.75 percent to 1.5 percent. Even after Nepal graduates to middle income status, borrowing at around 1.5 to 2 percent may still be possible," Bhandari said. "It is therefore unlikely that Nepal could secure cheaper financing elsewhere."

Even so, he acknowledges that concessional resources are finite, and Nepal will eventually need to diversify its financing options.

According to Bhandari, creating the legal provision to issue foreign



currency bonds is only the beginning. Success will depend on how effectively the government mobilises the funds and whether borrowed resources generate adequate economic returns.

"Creating a legal framework is one thing. Successfully implementing it is another," he said, adding that several past initiatives to develop Nepal's domestic bond market failed to achieve their intended objectives.

He also argues that the government should not focus solely on overseas borrowing. Developing a broader range of domestic bond instruments would strengthen local capital markets while expanding financing options.

"Establishing a presence in international capital markets is important. But the government must also demonstrate that it is adequately prepared."

Officials at the Public Debt Management Office stress that the proposed provision should not be interpreted as a plan to issue international bonds immediately.

Mohan Singh Basnet, Information Officer at the PDMO, said the primary objective is to ensure Nepal has the legal authority to enter international markets whenever financing needs arise.

"The idea is not only to issue bonds within Nepal but also to enable bond issuance abroad in line with international practice," Basnet said. "If necessary, Nepal could issue sovereign bonds in financial centres such as London, New York or India. The objective is simply to create that option for the future, not to borrow overseas immediately."

He added that international markets could eventually offer a cheaper source of financing if domestic interest rates remain relatively high.

The structure of Nepal's existing external debt also highlights why the issue matters. More than 91 percent of the country's external debt is owed to the World Bank and the ADB, while bilateral creditors account for just 9.16 percent. Those loans continue to be extended on highly concessional terms.

According to the Public Debt Management Office, domestic debt accounted for 46.51 percent of Nepal's total public debt as of mid-June, with external debt making up the remaining 53.49 percent.

Although domestic debt represents a slightly smaller share of the total, its higher interest rates and shorter maturities make it significantly more expensive to service. In the 2025/26 fiscal year, the government allocated Rs 343.55 billion for servicing domestic debt, compared with Rs 67.45 billion for external debt.

As of mid-June, Nepal's total outstanding public debt stood at around 45 percent of GDP, according to the Public Debt Management Office.

For now, Nepal is not preparing to sell sovereign bonds on Wall Street or in the City of London. What the government is doing is laying the legal foundation for a future in which access to global capital markets may become less of an option and more of an economic necessity. ■

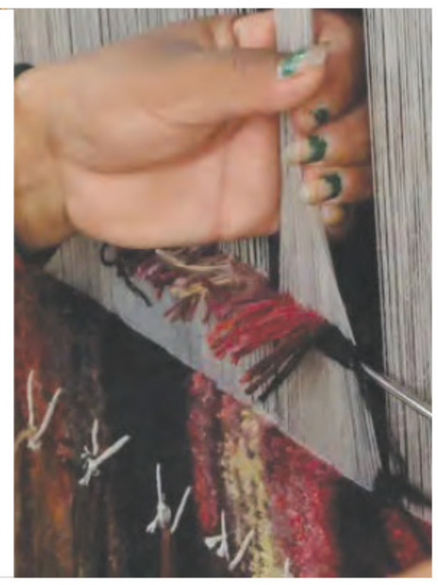
Government Rolls Out New Export Strategies for Chhurpi, Ginger and Handmade Carpets

Three new five-year action plans aim to boost production, improve quality, diversify export markets, and strengthen the global competitiveness of some of Nepal's most valuable agricultural and handicraft exports.

■ NewBiz Report







The government is sharpening its export strategy with a renewed focus on three products that have long been among Nepal's strongest performers in international markets: chhurpi, ginger and handmade carpets. The Ministry of Industry, Commerce and Supplies has approved separate five-year export strategies for all three sectors, part of a broader effort to build globally competitive value chains and reduce Nepal's dependence on a narrow range of export products.

The strategies, announced in the ministry's 100-day progress report, cover the period from 2026 to 2031 and align with the Nepal Trade Integration Strategy (NTIS) 2022/23 to 2028/29, which identifies 32 priority goods and services with export potential. With the latest approvals, Nepal has now completed product specific export strategies for eight priority export sectors. The newly endorsed plans are the National Ginger Export Strategic Action Plan 2026 to 2031, the National Chhurpi Export Strategy 2026 to 2031, and the National Carpet Export Strategy and Action Plan 2026 to 2031.

Joint Secretary Humakala Pandey said the ministry began preparing product specific export strategies following the implementation of the Commerce Policy 2024. Similar strategies have already been adopted for coffee, tea, pashmina, large cardamom and another priority export product.

According to Pandey, the new roadmaps focus on raising production and productivity, improving quality standards, strengthening branding and expanding market access, with implementation responsibilities shared among the federal, provincial and local governments. For the chhurpi industry, the government wants Nepal to emerge as a global production and export hub within five years by establishing the "Nepali Chhurpi" brand in international markets. The strategy prioritises stronger milk collection systems, upgraded processing facilities, farmer training and direct links between producers and overseas buyers.

Nepal exported 2,610 metric tonnes of chhurpi worth Rs 4.51 billion in fiscal year 2024/25. More than 400 processing enterprises across the country's hill and mountain districts now produce over 2 million kilograms annually, according to the ministry. The ginger strategy focuses on improving productivity and reducing market inefficiencies. It calls for seed banks in major production areas by 2031 and the introduction of a real time digital market information system by 2028, enabling farmers to access up to date information on prices, demand, supply and export opportunities. Other priorities include modern irrigation, improved seed varieties, expanded storage facilities, farmer training and digitised export procedures.

Nepal currently produces nearly 290,000 metric tonnes of ginger each year, with about 60 percent of total production exported. India remains the dominant market, accounting for roughly 90 percent of Nepal's ginger exports. For the handmade carpet industry, the strategy proposes setting aside an amount equivalent to 1 percent of annual carpet export earnings for export promotion. It also seeks to strengthen digital marketing, diversify exports beyond traditional markets in the United States and Europe, and increase trade promotion activities through business missions and buyer seller meetings.

Nepal's handmade carpets are currently exported to 73 countries, supporting more than 300,000 jobs directly and indirectly. Woollen carpet exports reached Rs 10.78 billion in fiscal year 2024/25.

Taken together, the three strategies signal a shift from simply promoting exports to building internationally competitive industries capable of generating higher value, stronger brands and more diversified markets. ■

Nepal, India Raise Cross Border Power Trading Capacity by 50%

New transmission agreements increase Nepal's electricity export ceiling to 1,650 MW while advancing key cross border infrastructure that will underpin the next phase of regional power trade.

■ NewBiz Report

Nepal and India have taken another major step toward deeper energy integration, agreeing to raise the capacity of their cross-border transmission network and accelerate work on several strategic electricity corridors.



At the 13th meeting of the Nepal, India Joint Steering Committee (JSC) on Energy held in the second week of July, both countries agreed to increase the maximum electricity transfer capacity on their two existing 400 kV transmission corridors.

Under the revised arrangement, Nepal's electricity export capacity will rise from 1,100 MW to 1,650 MW, a 50 percent increase. Import capacity will also expand from 1,000 MW to 1,400 MW, according to the Ministry of Energy, Water Resources and Irrigation.

The higher limits apply to the Dhalkebar, Muzaffarpur and Dhalkebar, Sitamadhi transmission corridors.

While the Dhalkebar, Muzaffarpur line has been operating for nearly a decade, the Dhalkebar, Sitamadhi line, being developed by SJVN Arun 3 Power Development Company, is nearing completion.

The Nepali delegation was led by Energy Secretary Sarita Dawadi, while India's delegation was headed by Power Secretary Pankaj Agarwal.

Beyond increasing transmission capacity, the meeting also pushed forward several strategic cross border projects.

The Joint Steering Committee approved the Detailed Project Report (DPR) for the 220 kV Chameliya, Jauljibi transmission line, targeting completion by December 2028.

Both sides also agreed to expedite the establishment of a joint venture company to develop the 400 kV Inaruwa, New Purnea and Dodhodhara (New Lamki), Bareilly transmission lines. The Nepal Electricity Authority and India's Power Grid Corporation have already signed the Shareholders' Agreement and Joint Venture Agreement for the projects.

The committee also endorsed the DPR for the proposed 400 kV Motihari, Nijgadh transmission line and approved plans to upgrade the existing Muzaffarpur, Dhalkebar corridor with High Temperature Low Sag (HTLS) conductors to further increase transmission capacity.

Meanwhile, both countries agreed to undertake additional technical studies before making a final decision on the proposed Lucknow, Kohalpur (Lamahi) transmission line.

The meeting also cleared interim operating arrangements for the New Butwal, Gorakhpur transmission line. Since Nepal's section is expected to be completed before the New Butwal substation is ready, the line will initially operate at 220 kV, enabling Nepal to export up to 200 MW and import 130 MW until the full 400 kV system becomes operational.

The latest agreements reinforce Nepal's ambition to become a regional clean energy exporter while strengthening the transmission backbone needed to support long term cross border electricity trade. ■

NRB Expands EV Financing

Nepal Rastra Bank has raised the loan ceiling for large electric public transport vehicles to 80 percent of their value, while extending the same financing support to businesses replacing vehicles damaged during the Gen Z protests.

■ NewBiz Report

Nepal Rastra Bank (NRB) has taken another step to accelerate the country's transition to electric mobility by allowing banks and financial institutions to finance a larger share of the cost of electric public transport vehicles. In a directive issued this week, the central bank increased the maximum loan to value (LTV) ratio for large electric passenger vehicles used in public transportation from 60 percent to 80 percent, implementing one of the key measures announced in the Monetary Policy for fiscal year 2026/27.

The revised provision allows banks and financial institutions to finance up to 80 percent of a vehicle's purchase price, significantly reducing the upfront capital required from transport operators.

The same financing facility has also been extended to industries and businesses replacing commercially operated vehicles and transport equipment damaged during the Gen Z protests. According to the directive, banks may maintain an LTV ratio of up to 80 percent for financing large electric passenger vehicles used in public transportation, as well as for replacing commercial transport assets damaged during the protests.

The higher financing limit is expected to encourage transport operators to shift to electric vehicles at a faster pace by easing initial investment costs. It also provides relief to businesses seeking to restore transport services disrupted by the recent unrest.

The move complements the government's broader push to expand electric mobility, reduce dependence on imported fossil fuels and lower transport related emissions, while supporting the commercial adoption of cleaner transport technologies across the country. ■

NRB Gives Blue Chip Stocks a Lending Edge

As investors and banks begin implementing Nepal Rastra Bank's (NRB) new monetary policy for fiscal year 2026/27, one of the most significant regulatory changes is a fundamental overhaul of share backed lending.

■ NewBiz Report

Nepal Rastra Bank has overhauled the rules for share backed lending, allowing banks to offer bigger loans against financially stronger listed companies. The move marks a shift from a one size fits all approach to a risk-based framework that rewards companies with stronger fundamentals while encouraging more disciplined lending.

The central bank has replaced its uniform approach with a risk-based framework that allows banks and financial institutions to extend larger loans against shares of financially stronger listed companies. The reform, introduced through new directives issued on July 15, is designed to encourage lending based on corporate quality rather than treating all listed companies equally. Under the revised framework, banks must evaluate listed companies using a broad set of financial and governance indicators before determining how much they are willing to lend against pledged shares. The assessment will consider factors such as paid-up capital, the length of time a company's shares have been listed, profitability, dividend payment history, credit ratings, regulatory compliance, and whether annual general meetings are conducted on time.

Companies with stronger scores will qualify for more generous financing. While the existing regulations allow banks to lend up to 70 percent of the collateral value of listed shares, institutions will now be permitted to increase the loan to value ratio by as much as 10 percentage points for companies that meet the central bank's financial strength criteria. In effect, the best rated listed companies could secure loans covering up to 80 percent of the value of their pledged shares.

The method for calculating collateral value remains unchanged. Banks must continue using the lower of the average closing price over the previous 180 trading days published by the Nepal Stock Exchange (NEPSE) or the prevailing market price. The higher lending limit applies only after companies qualify under the new financial strength assessment.

To improve transparency and ensure consistency across the banking system, the NRB has instructed banks and financial institutions to publicly disclose the methodology they use to evaluate listed companies. Each institution must publish its product paper and assessment criteria on its website. ■

Microfinance at a Crossroads

Rising loan defaults, weakening capital buffers and tighter regulation have pushed Nepal's microfinance industry into its deepest crisis since the pandemic. More than half of retail MFIs now carry bad loans above regulatory comfort levels, forcing several institutions into corrective action and slowing the flow of credit to the households and small businesses they were created to serve.

■ NewBiz Report

Nepal's microfinance industry, once celebrated as one of the country's most successful financial inclusion stories, is facing its most difficult period in years. A sharp deterioration in loan quality has weakened balance sheets, eroded capital, restricted new lending and pushed an increasing number of institutions under regulatory intervention. The problems extend well beyond individual lenders, raising broader questions about the sustainability of a business model that expanded rapidly over the past decade.

Microfinance institutions (MFIs) were established to provide financial services to low-income households and small entrepreneurs largely excluded from the formal banking system. Today, many of those same borrowers are struggling with the combined effects of the pandemic, a prolonged economic slowdown, weaker household incomes and organized loan default campaigns.

The result has been a rapid deterioration in asset quality. According to Nepal Rastra Bank (NRB), the average nonperforming loan (NPL) ratio of retail microfinance institutions climbed to 11.32 percent as of mid-April 2026, up from 7 percent at the start of the current fiscal year. In just nine months, bad loans increased by 4.32 percentage points. The longer-term deterioration is even more striking. In mid-July 2019, the sector's average NPL ratio stood at only 1 percent. Nepal currently has 51 licensed microfinance institutions, including three wholesale lenders and 48 retail institutions. Of the retail lenders, 41 now report NPL ratios above 5 percent, while 28 have crossed the double-digit mark, highlighting the scale of the industry's asset quality challenge. Sanjeevani Microfinance recorded the highest NPL ratio at 100 percent. The institution had previously been declared problematic by the central bank and placed under regulatory management before being returned to new investors following a change in ownership.

The surge in bad loans is now translating directly into capital stress. NRB requires microfinance institutions to maintain a minimum 4 percent core capital ratio and an 8 percent total capital adequacy ratio. As of mid-April, 17 institutions were struggling to meet those requirements. Ten were operating only marginally above the regulatory minimum, while seven had already fallen below the required threshold. Institutions currently under Prompt Corrective Action (PCA) include Nerude Mirmire, Forward, Samudayik, NADEP, Aarambha Chautari, Ganapati, CYC Nepal and Abhiyan Microfinance. Once placed under PCA, institutions face restrictions on dividend distribution, branch expansion, fresh investment and, most importantly, new loan disbursement. Those measures are designed to restore financial health but also limit the institutions' ability to generate new business.

Banking experts warn that the consequences extend beyond the sector itself. With weaker institutions unable to expand lending, the supply of credit to rural households, farmers and micro entrepreneurs is also beginning to tighten. Even so, the industry as a whole remains above the regulatory minimum. According to NRB, retail MFIs maintain an average core capital adequacy ratio of 9.96 percent and an average total capital adequacy ratio of 11.12 percent.

The rise in bad loans has significantly weakened profitability as institutions are forced to make larger loan loss provisions, further eroding their capital base. Ram Bahadur Yadav, President of the Nepal Microfinance Bankers' Association, says the problems began with the economic shock created by the COVID 19 pandemic. "COVID severely affected lower income groups and small businesses. Since microfinance primarily serves these borrowers, their repayment capacity weakened," he said. He added that tighter regulation also slowed recoveries. NRB restricted borrowers from taking loans from more than two microfinance institutions, tightened borrowing limits and strengthened oversight of multiple lending. At the same time, organized campaigns calling for loan waivers weakened repayment discipline across parts of the sector.

The industry's current difficulties have been building for years. In 2022, NRB formed a study committee led by then Executive Director Dr Prakash Kumar Shrestha to examine structural weaknesses in the sector. Two years later, the government established another task force under then Deputy Governor Dr Nilam Dhungana to review borrower grievances. Both studies reached similar conclusions. Years of aggressive expansion, intense competition to recruit borrowers and widespread multiple lending had created significant distortions in the industry.

Following those recommendations, NRB prohibited borrowers from taking loans from more than two microfinance institutions and barred borrowers with commercial bank loans from simultaneously accessing microfinance credit. The central bank also reduced the maximum loan ceiling to Rs 700,000, although this year's Monetary Policy later increased the limit to Rs 1.5 million.

According to Dr Shrestha, unrestricted multiple borrowing encouraged many clients to accumulate debt far beyond their repayment capacity. "Some distortions emerged in the sector. Borrowers received more loans than necessary, often from multiple institutions, and the consequences are now becoming visible," he said. As part of its efforts to curb multiple borrowing, NRB also required all microfinance institutions to join the Credit Information Bureau from mid July 2022. Since then, more than 30,000 borrowers have been blacklisted following recommendations from MFIs. ■

From Exporting Transformers to Exporting Technology

Nepal Ekarat Engineering Company is preparing to do something few Nepali manufacturers have attempted. After building a dominant position in Bhutan's transformer market, it now plans to license its engineering expertise and manufacture locally, signaling a shift from exporting products to exporting industrial know how.

■ NewBiz Report

For decades, Nepali manufacturers have measured international success by the number of products they ship across the border. Nepal Ekarat Engineering Company (NEEK) wants to redefine that benchmark. Instead of exporting more transformers, the company is preparing to export something potentially more valuable, its engineering expertise. The transformer manufacturer, which has supplied Bhutan's electricity sector for nearly two decades, is in the final stages of establishing a manufacturing operation there through a technical know-how licensing arrangement. If completed, the project would mark a milestone not only for the company but also for Nepal's industrial sector.

Rather than exporting finished transformers from Nepal, NEEK plans to license its proprietary engineering technology to a Bhutan based venture, enabling transformers to be manufactured locally using Nepali designs, production processes and technical expertise.

The company has already secured approval from Nepal's Department of Industry to transfer its technical know-how overseas. The remaining requirement is approval from Nepal Rastra Bank for the foreign investment component. According to NEEK, it has become the first Nepali manufacturing company to receive official approval to commercialize proprietary industrial know how overseas while pursuing foreign investment under Nepal's regulatory framework.

Moving up the value chain

For Managing Director Kush Kumar Joshi, the Bhutan project represents far more than another export order. "This is not simply about exporting transformers," Joshi said. "We are entering a new phase where engineering capability, technical expertise and industrial experience developed in Nepal are being deployed commercially in another country."

The approach reflects a model long adopted by manufacturers in advanced economies, where intellectual property, technical knowledge and production systems often generate greater long-term value than exports alone. Instead of investing fresh capital from Nepal, NEEK plans to finance the Bhutan venture by reinvesting earnings generated from its existing business there, subject to regulatory approval.

Joshi believes the model could provide a roadmap for other Nepali manufacturers looking to expand internationally. "The legal provisions already exist, but very few companies have attempted to use them," he said.

The company's confidence stems from a strong market position it has built over nearly 20 years. NEEK says it has supplied more than 7,000 transformers to Bhutan and now commands around 90 percent of that country's transformer market. Setting up local production is expected to reduce transport costs, shorten delivery times and strengthen after sales services, while allowing the company to continue manufacturing in Nepal for other markets. More importantly, it allows NEEK to commercialize an asset that rarely appears on a balance sheet, engineering knowledge. "We have built investment, technology and skilled human resources through industrialisation in Nepal," Joshi said. "Now we are transferring that technology to Bhutan. Technology transfer is itself an important part of industrial development."

A different model for Nepali industry

Nepal's manufacturing sector has traditionally competed on labour costs and physical production. Few companies have developed business models around licensing technology or exporting intellectual property. If successful, NEEK's venture could demonstrate that Nepali manufacturers are capable of competing internationally through technical capability rather than production alone. For a country seeking to diversify exports and generate higher value industries, that shift could prove significant.

Looking beyond South Asia

Bhutan may only be the beginning. The company says it has already conducted product trials in several African countries and has received business enquiries from Dubai. While demand exists, high logistics costs continue to limit competitiveness in more distant markets. "African markets offer significant opportunities," Joshi said. "The challenge is transportation costs. We are exploring ways to reduce those costs and have shared our recommendations with the government."

NEEK currently has the capacity to manufacture 18,000 transformers annually and remains one of the Nepal Electricity Authority's major suppliers. Joshi argues that stronger domestic investment in power infrastructure would allow the company to expand production further while creating more skilled industrial jobs. Instead, slower demand has encouraged many experienced technicians to seek employment abroad. ■

INGOs Still Bring Billions to Nepal, but the Funding Tide Is Receding

International NGOs continue to channel around Rs 20 billion in grants into Nepal each year and support more than eight million people. But shrinking donor budgets, the dismantling of USAID and Nepal's graduation from Least Developed Country status are reshaping the country's development financing landscape.

NewBiz Report

International non-governmental organizations (INGOs) remain an important source of grant financing for Nepal, but the era of expanding development assistance appears to be drawing to a close. As Nepal prepares to graduate from Least Developed Country (LDC) status in 2029, international development priorities are shifting, major donor programmes are winding down and the number of INGOs operating in the country is steadily declining.

According to the Collective Impact Report 2025, published by the Association of International NGOs in Nepal (AIN), the umbrella body representing INGOs, its 102 member organizations channel around Rs 20 billion (approximately USD 150 million) in grants into Nepal each year while supporting more than eight million people through development programmes.

The aid landscape is changing

Despite their continued contribution, both the government and development partners acknowledge that external grant funding has been declining in recent years. AIN Chairperson Sanjay Karki says the trend reflects fundamental changes in the global development landscape.

"Financial resources coming to Nepal through INGOs have been declining over the past few years," Karki told Arthik Abhiyan. "The main reasons are shifting priorities among international development partners and the closure of programmes funded by the United States Agency for International Development (USAID)." The United States has historically been Nepal's largest bilateral development partner. In 2022, the US government signed a five year agreement committing USD 659 million in development assistance to Nepal through USAID. Although the agreement was signed with the Government of Nepal, a substantial share of the funding was implemented through national and international non-governmental organizations.

The subsequent dismantling of USAID under the administration of US President Donald Trump has significantly altered that funding landscape. "It is difficult to determine exactly how much of total INGO funding came from USAID, but its contribution was significant," Karki said. European donor support has also softened as several governments have redirected development budgets toward domestic security and defence priorities. Most INGOs operating in Nepal are headquartered in Europe or North America.

Government data tells the same story

Official figures also point to a gradual decline in international grant funding, although year to year comparisons require caution because reporting coverage has changed. According to the Ministry of Finance's Development Cooperation Report FY 2024/25, Nepal recorded its highest level of INGO funding in FY 2018/19, when international NGOs mobilized USD 215.3 million (approximately Rs 32.86 billion). That figure fell to USD 63.1 million in FY 2023/24 before recovering modestly to USD 90 million in FY 2024/25. However, the latest figures are based on reports submitted by only 49 INGOs, compared with 114 organizations that reported in FY 2018/19.

Karki notes that funding was also unusually high during the years following the 2015 earthquake, when international agencies mobilized large scale reconstruction support. "There are no longer major emergency or reconstruction programmes in Nepal, which has also contributed to the decline in funding," he said.

Fewer INGOs, stronger local organizations

The shrinking funding pool is also reshaping Nepal's development sector. AIN's membership has fallen from around 130 to 140 organizations a few years ago to 102 today, reflecting both declining donor interest and the closure of several programmes. At the same time, Nepali organizations are playing a much larger role in development financing. According to Sanjay Mallik, Head of the Planning Division at the Social Welfare Council, domestic NGOs mobilized approximately Rs 40 billion during FY 2024/25, more than double the Rs 19 billion mobilized through INGOs. "It used to be the opposite. INGOs mobilized much larger volumes of funding," Mallik said. He attributes the shift partly to the growing ability of Nepali NGOs to access international funding directly, reducing their dependence on INGOs as intermediary organizations. ■

Aviation Reform Cleared for Takeoff?

The government has revived its long-delayed plan to split the Civil Aviation Authority of Nepal into separate regulatory and service delivery agencies, a reform sought for years by international aviation bodies.

■ NewBiz Report



After more than a decade of promises, Nepal may finally be moving toward one of the country's most important aviation reforms. The government has revived legislation to split the Civil Aviation Authority of Nepal (CAAN) into two independent institutions, separating aviation regulation from airport operations. The move is widely regarded as a prerequisite for strengthening aviation safety oversight and bringing Nepal's regulatory framework in line with international standards.

The Tourism Ministry has released draft versions of the Nepal Civil Aviation Authority Act, 2083 and the Nepal Air Services Authority Act, 2083, reopening a reform process that has stalled repeatedly despite years of pressure from international aviation regulators.

If enacted, the legislation will dissolve the existing CAAN and replace it with two separate organizations. The proposed Nepal Civil Aviation Authority will function solely as the country's aviation regulator, while the Nepal Air Services Authority will oversee airport development, air navigation and other operational services. The separation would end a long-standing institutional arrangement under which the same organization both regulates the aviation industry and operates much of it, a structure that international aviation authorities have consistently criticised as a conflict of interest.

The International Civil Aviation Organization (ICAO) and the European Union have consistently recommended creating an independent regulator as one of Nepal's key structural reforms. By reviving the legislation, the government hopes to address one of the European Union's longstanding concerns and strengthen Nepal's case for eventual removal from the blacklist.

The strongest external pressure for reform has come from Europe. Nepali airlines have remained on the European Union Air Safety List since 2013, preventing them from operating in European airspace. Although Nepal has made significant improvements in technical safety oversight over the past decade, European authorities have repeatedly argued that the country's institutional framework still falls short because the regulator also functions as the operator.

Two institutions, two distinct roles

Under the proposed legislation, the Nepal Civil Aviation Authority will become an independent regulator responsible for aviation safety, airline certification, airport certification, aircraft airworthiness, licensing, inspections and compliance with international aviation standards.

It will issue Air Operator Certificates, regulate airports and heliports, oversee Nepal's airspace and coordinate with foreign aviation regulators. Its revenue will primarily come from licensing, certification, inspection fees and regulatory penalties. The proposed Nepal Air Services Authority, meanwhile, will take charge of the operational side of the industry. Its responsibilities will include airport construction and expansion, airport operations, air traffic control, air navigation services, aeronautical communications, rescue and firefighting services and ground handling operations.

Unlike the regulator, it will function as a commercially oriented public enterprise, generating revenue through airport charges, passenger service fees, aircraft landing and parking fees, aviation fuel sales, leasing and ground handling services. The proposed legislation also reflects a broader shift in Nepal's airport development strategy.

With prior government approval, the Air Services Authority would be allowed to develop, upgrade, operate and manage airports through joint investment with domestic and foreign investors, as well as through public private partnerships and joint ventures with governments and international institutions. The restructuring also seeks to improve institutional governance. The Director General of the regulator would be appointed by the government from among senior civil servants, while the Managing Director of the Air Services Authority would be selected through open competition, reflecting its commercial and operational role. Each institution would have its own board, independent finances and clearly defined responsibilities. ■

Nepal Bets on Services Exports with First National Trade Strategy

A new national strategy brings tourism, IT, finance, construction, energy, education and health under one policy framework as the government looks beyond goods exports to narrow Nepal's widening services trade deficit and build a more competitive, knowledge driven economy.

NewBiz Report

The government is making its strongest push yet to turn Nepal's services economy into a major export engine.

As the country's first National Integrated Strategy on Trade in Services, 2083 begins implementation, policymakers are looking to convert Nepal's biggest economic sector into a stronger source of export earnings, foreign investment and higher value jobs.

The strategy, approved by the Ministry of Industry, Commerce and Supplies in mid July, arrives at a time when services account for more than 62 percent of Nepal's gross domestic product, yet the country continues to run a growing deficit in services trade.

Unlike previous policies that focused on individual industries, the new strategy brings seven key service sectors under a single national framework: tourism, information technology, financial services, construction, energy, education and health. It outlines sector specific reforms aimed at improving Nepal's competitiveness in regional and global markets while addressing long standing regulatory and institutional barriers.

The shift reflects a broader change in Nepal's economic priorities. While merchandise exports have struggled to diversify, policymakers increasingly see high value services as a more realistic avenue for export growth, particularly in digital industries where physical infrastructure is less of a constraint.

The government wants Nepali contractors to compete for overseas infrastructure projects by simplifying foreign exchange procedures, easing the temporary export of construction equipment, promoting modern construction technologies and creating a national database of international contracting opportunities.

The urgency is clear from the numbers. Nepal has been a net importer of services for seven consecutive fiscal years. After recording small surpluses between FY2015/16 and FY2017/18, imports have consistently outpaced exports.

In FY2024/25, Nepal exported services worth Rs 238.66 billion while importing Rs 329.60 billion, resulting in a services trade deficit of Rs 90.94 billion.

The widening gap has reinforced the need to expand exports in higher value sectors rather than relying mainly on traditional tourism receipts and remittances.

Government officials believe the country's growing base of skilled young professionals creates an opportunity to compete in knowledge-based industries such as software development, mobile applications, business process outsourcing, digital marketing, graphic design, data processing and freelance technology services. Information technology has emerged as one of the strategy's biggest priorities.

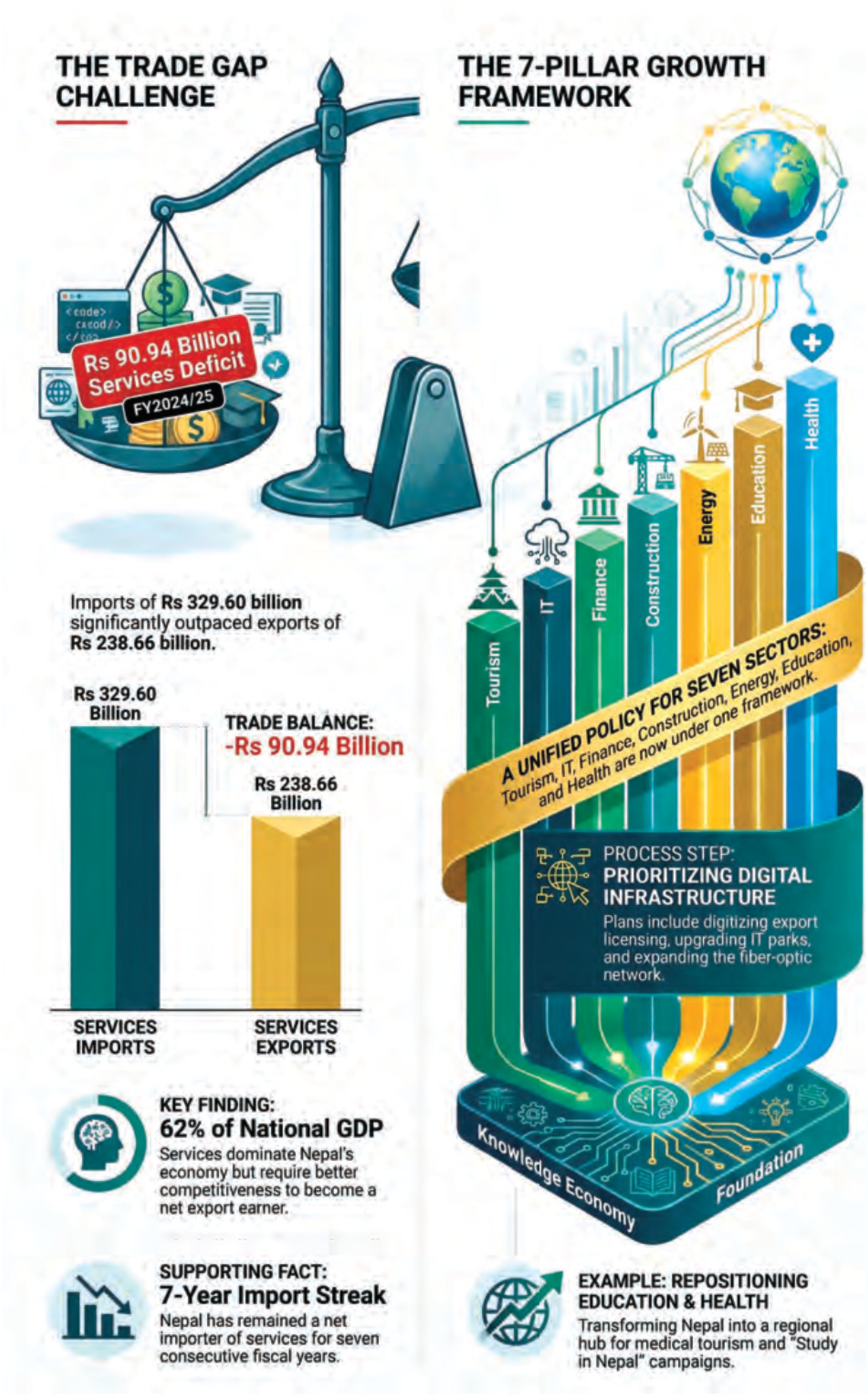
The roadmap calls for fully digitising import and export licensing, expanding the national single window system, upgrading IT Park infrastructure, extending the national fibre optic network, developing modern data centres and cloud infrastructure, and promoting Nepali software exports through diplomatic missions abroad.

Officials acknowledge, however, that Nepal faces intense competition from established outsourcing destinations such as India, the Philippines, Vietnam and Bangladesh. Success will depend not only on skilled workers but also on better digital infrastructure, regulatory certainty and easier cross border business operations.

Tourism remains another central pillar of the strategy, but with a broader focus than traditional visitor arrivals.

The government plans to identify priority tourism infrastructure projects, establish a national project bank, attract investment through public private partnerships and investment forums, introduce stronger quality certification systems and improve regulatory oversight across the industry.

In financial services, the strategy seeks to expand cross border digital payments, strengthen remittance linked financial products, support



the international expansion of Nepali fintech companies and deepen regional cooperation in banking, insurance and reinsurance.

Construction services also feature prominently. The government wants Nepali contractors to compete for overseas infrastructure projects by simplifying foreign exchange procedures, easing the temporary export of construction equipment, promoting modern construction technologies and creating a national database of international contracting opportunities.

The energy component focuses on expanding electricity exports beyond existing markets by improving cross border power trade, diversifying export destinations and introducing legal reforms aimed at attracting greater foreign investment into the sector.

Education and healthcare are also being repositioned as export industries.

The education roadmap aims to strengthen the "Study in Nepal" campaign through easier student visa procedures, larger scholarship programmes, digital learning platforms and international education fairs, with the long-term goal of positioning Nepal as a regional education destination.

Meanwhile, the health strategy seeks to develop Nepal as a hub for medical and wellness tourism by integrating healthcare with tourism, encouraging partnerships with international hospitals and universities, promoting research collaboration and marketing Nepal's health services in overseas markets.

The strategy builds on recent policy initiatives, including the Electronic Commerce Act, 2025, the Commerce Policy, 2025, and the Nepal Trade Integrated Strategy, 2023. Its significance lies in bringing Nepal's fragmented services industries under a single export-oriented framework for the first time.

Whether the strategy delivers will depend on implementation. Many of its proposals, from digital infrastructure and regulatory reform to investment promotion and international market access, require close coordination across multiple ministries and agencies.

Still, the policy marks an important shift in Nepal's trade agenda. As global commerce increasingly moves toward digital and knowledge-based services, the government is signalling that the country's next export success story may come not from what Nepal manufactures, but from what its people can build, design, teach, code and deliver to the world. ■

OPINION

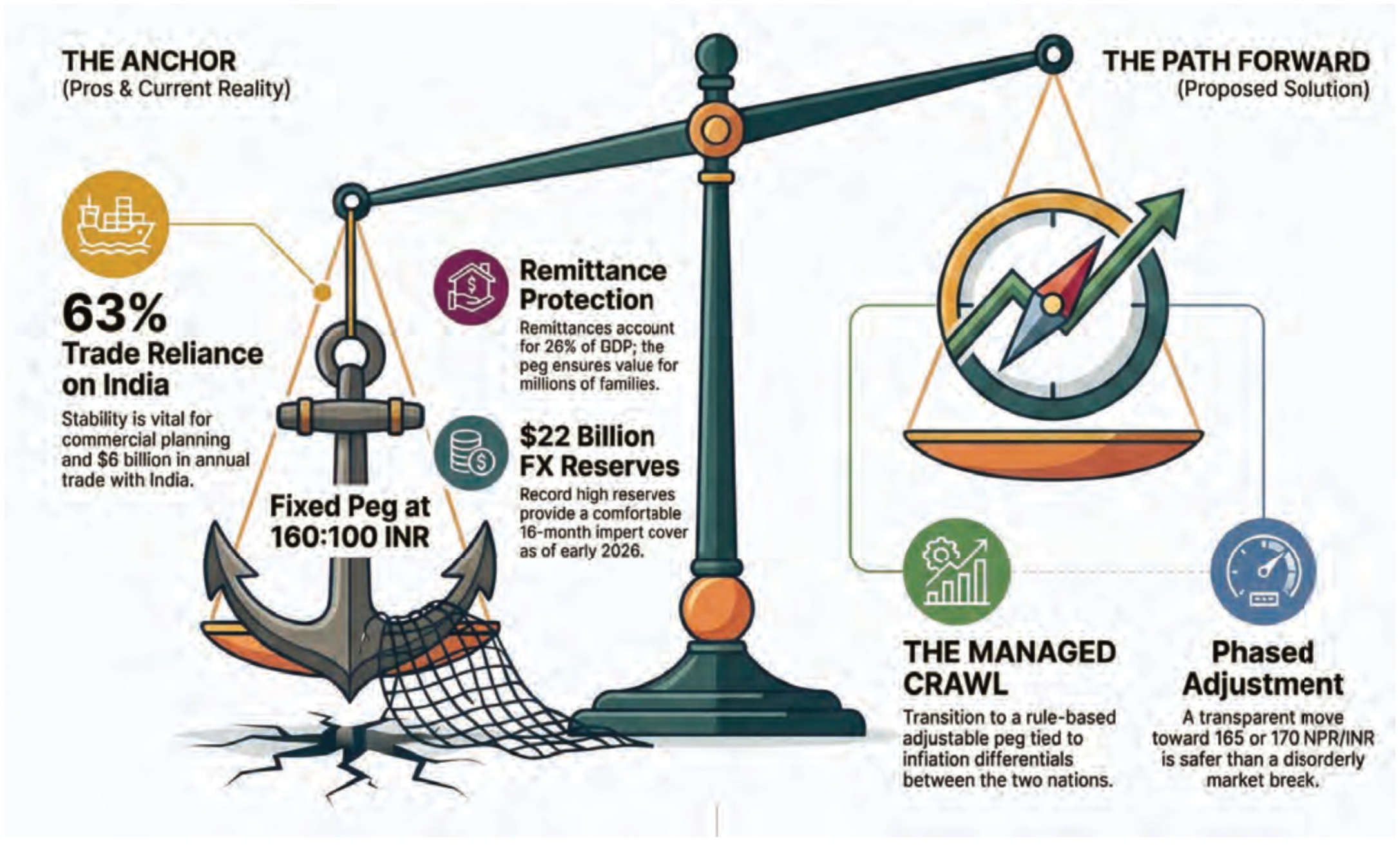


CHANDRA THAPA

Nepal's Currency Peg

A Necessary Anchor or a Structural Trap?

Nepal's Rupee Peg Was Right for 1993. It's a Liability for 2026. As Nepal exits LDC status, a three-decade-old exchange rate is starting to cost more than it saves.



Nepal and India share one of the most integrated economic relationships in South Asia. For over thirty years, a single number has governed their monetary relationship: 160 Nepali rupees for every 100 Indian rupees. That rate has not moved since 1993, and as Nepal approaches its scheduled graduation from Least Developed Country status in November 2026, the question of whether it should move is no longer an academic one.

To understand what is really at stake, it helps to start with a fundamental constraint in international monetary economics known as the impossible trinity, or the trilemma. The idea is straightforward: a country can have only two of the three things at the same time — a stable exchange rate, open capital flows and financial integration with the rest of the world, or an independent monetary policy that responds to its own domestic needs. What it cannot do is have all three simultaneously. Something must always give.

Nepal has made its choice, even if it has never quite framed it that way. By maintaining the peg, Nepal has secured exchange rate stability and a degree

of financial integration with India. The price it pays is monetary independence. Nepal Rastra Bank cannot set interest rates to stimulate the economy during a downturn, nor can it respond to domestic inflation without risking the peg. In practice, Nepal imports the monetary policy of the Reserve Bank of India — its discipline when India is cautious, its constraints when India's priorities diverge from Nepal's. When India tightens to cool an overheating economy, Nepal follows, regardless of what is happening in Kathmandu. The trilemma is not a theoretical puzzle for Nepal. It is a lived institutional reality.

And yet, the case for the peg is genuinely strong. Trade with India accounts for roughly 63 percent of Nepal's total trade, equivalent to over USD 8 billion in fiscal year 2023-24, and India absorbs nearly 68 percent of Nepal's total exports. When two-thirds of a country's trade flows in a single partner's currency, eliminating exchange-rate volatility in that relationship is not a policy luxury. It is a precondition for basic commercial planning. Importers can price goods. Indian investors can commit capital without hedging against currency risk. The open border, which millions of Nepalis cross daily for work, trade, and everyday life, functions much more smoothly when the exchange rate is predictable.

Remittances strengthen the case further. Nepal received around USD 11 billion in remittance flows in 2023, accounting for more than 26 percent of GDP and exceeding the combined inflow of official development assistance and foreign direct investment. A substantial share of this comes from Nepalis working in India. A stable peg ensures that money sent home retains its value at the point of receipt. By early 2026, foreign exchange reserves had climbed to record highs of over USD 22 billion, providing a comfortable 18-month import cover. The peg also delivers something that weaker domestic institutions could not supply on their own: a credible nominal anchor for monetary policy. Giving up monetary independence is a real cost, but gaining exchange rate certainty, given Nepal's institutional capacity, is a real benefit.

The costs, however, are structural and growing. The most immediate problem is competitiveness. Because Nepal's inflation has historically run higher than India's, the real effective exchange rate appreciates even as the nominal peg holds at 160. Nepali exports, from cardamom to textiles, become artificially expensive for foreign buyers, while cheap Indian imports flood domestic markets. The trade deficit reached approximately NPR 1.1 trillion by the second quarter of the 2025-26 fiscal year. No nominal rate adjustment can fix what is fundamentally an export weakness rooted in the country's productive base, but an overvalued currency makes that weakness worse.

This problem sharpens considerably as Nepal nears LDC graduation. The loss of international trade preferences will expose Nepali garments and textiles to higher tariffs in key markets, making competitive pricing far more critical than it has been. Remaining locked to an overvalued exchange rate, precisely as these protections fall away, could prove damaging to Nepal's industrial base at a fragile moment. The black market offers a blunter version of the same signal. In periods of political stress, informal exchange rates in border towns have pushed as high as NPR 180 per INR 100. Some economists argue this reflects the rupee's true value and that the officially fixed rate of 160 is, at its core, a political exchange rate rather than an economic one.

The question, then, is what to do about it. Neither a sharp devaluation nor a revaluation gets Nepal very far on its own. Devaluation would, in theory, make Nepali exports more competitive, and the IMF has periodically signalled that the rupee may be overvalued in real effective terms. But Nepal is heavily import-dependent on India for fuel, medicines, and food staples. Any significant depreciation would trigger inflation that falls hardest on ordinary Nepali households, and it would reduce the purchasing power of remittances sent in Indian currency, affecting millions of families who depend on those flows. Revaluation runs into the opposite problem: it would cut import costs and ease inflation, but it would also make Nepali exports even less competitive and erode the value, in Nepali rupees, of remittances sent from India. Neither direction solves the underlying problem, and both carry serious short-term risks.

The more defensible path is a rule-based adjustable peg: keep the rupee anchored to the Indian currency, but allow for small, transparent adjustments tied to the inflation differential between the two countries. This is not a radical proposal. Research on fixed exchange rate regimes finds that purely fixed arrangements have an average lifespan of about 4.67 years, with a median of just 2 years. The fragility of such arrangements is not abstract. The trilemma reasserts itself through speculative attacks, reserve depletion, and forced adjustment, often at the worst possible moment. The currency crises that swept Asia and Latin America in the 1990s, many of them rooted in overvalued pegs that could no longer be sustained, are a sobering reminder of what happens when adjustment is delayed too long. A managed crawl, implemented transparently and coordinated by Nepal Rastra Bank and the Reserve Bank of India, would gradually reduce overvaluation. A modest adjustment toward NPR 165 or 170, phased over time, would be far preferable to a disorderly break forced by market pressure.

But no exchange rate adjustment, however carefully designed, substitutes for structural reform. Nepal needs to build its manufacturing and export base, invest in infrastructure, diversify into hydropower and ICT services, and reduce its dependence on India for basic imports, which makes any exchange-rate conversation so fraught in the first place. The peg at 160 was a rational decision for 1993. Keeping it frozen in 2026 is a choice, not a necessity. It is time Nepal made that choice with full awareness of the trilemma it is navigating and began the harder work of building the economic resilience that would one day make the anchor genuinely optional. ■

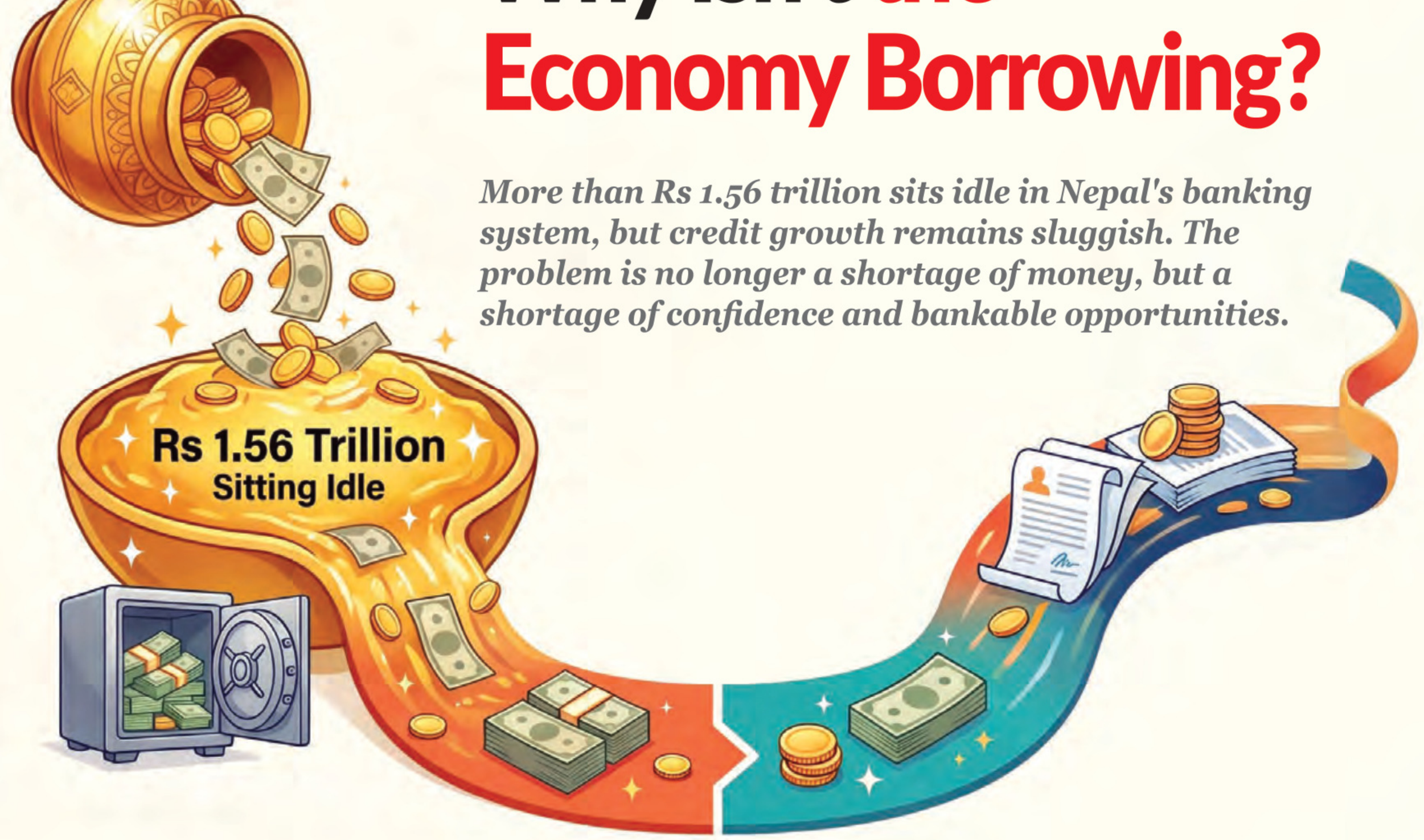
(Thapa is a professor of finance at Strathclyde Business School, Scotland, United Kingdom.)



SARAMSH KHAREL

Why Isn't the Economy Borrowing?

More than Rs 1.56 trillion sits idle in Nepal's banking system, but credit growth remains sluggish. The problem is no longer a shortage of money, but a shortage of confidence and bankable opportunities.



In classical economic theory, excess liquidity and declining interest rates act as a reliable catalyst for economic expansion. When the banking system is flushed with abundant liquidity and the cost of borrowing drops to its lowest, the economy expects increased aggregate demand — new ventures launching, consumption rising, businesses expanding operations.

Yet Nepal's banking sector presents a striking paradox in 2026: banks are sitting on over NRs 1.56 trillion in excess liquidity, but credit growth remains weak. Fueled by surging remittance inflows, bank deposits have climbed above NRs 8 trillion, exceeding national GDP. The average lending rate has fallen to near 6.7 percent, and the credit-to-deposit (CD) ratio sits comfortably around 71 percent — well below the central bank's 90 percent ceiling. Despite this, Nepal Rastra Bank (NRB) data shows private sector credit growth stuck at 6.5 percent, against a target of 12 percent.

Key factors behind weak credit demand

The primary reason behind weak credit growth is a lack of consumer demand. According to NRB's semi-annual Study of Economic Activities, manufacturing sector capacity utilization fell to 42.11 percent, down from 42.94 percent in the same period last year. With industries running at less than half capacity, business owners have little confidence to take on loans for expansion or upgrades.

Public spending has stalled to a six-year low, with the government spending only 46.79 percent (NRs 190.84 billion) of its allocated budget. State spending acts as the primary engine for private sector cash flow; when that cash flow dries up, it leaves liquidity idle within the banking system instead of circulating through the real economy.

Banks, meanwhile, are eager to put idle funds to work, but their risk tolerance has deteriorated. Non-performing loans (NPLs) across the banking system have reached 5.60 percent — well above the roughly 1–2 percent regulators consider healthy. Rising bad loans force banks into heavier loan-loss provisioning, making them far more conservative about approving new credit. Many existing corporate borrowers are also already heavily leveraged, pushing banks to prioritize recovery over fresh disbursement.

Historically, real estate and the stock market have absorbed a major share of private credit in Nepal. But strict land-plotting rules, sluggish property transactions, and stringent collateral valuations have left real estate turnover subdued. Without speculative momentum or rising collateral values, leverage in this traditional credit sink has stayed muted. NEPSE tells a similar story: the index has trended downward amid political uncertainty, weak economic activity, and low investor confidence, discouraging borrowers from taking on debt to invest.

Political uncertainty, inconsistent policy, and weakened investor confidence have further dampened aggregate demand across the economy. Broader structural weaknesses, underdeveloped infrastructure, skill shortages, and limited foreign direct investment, have collectively limited the emergence of viable, bankable projects. In this environment, even historically low lending rates aren't enough to stimulate credit demand, because the underlying growth stimulus the economy needs is still missing.

These factors reinforce one another rather than operating in isolation: weak demand suppresses capacity utilization, which delays loan recovery and pushes NPLs higher, which in turn makes banks more conservative, further starving viable businesses of credit and deepening the demand slump. Breaking this cycle requires more than a supply-side push from the central bank; it requires demand-side confidence that only sustained public investment and policy stability can restore.

How the monetary policy framework aims to support credit growth

Having recognized that low interest rates alone are insufficient, NRB has recalibrated its monetary policy to stimulate borrowing and restore private sector confidence. The Monetary Policy for FY 2026/27 (BS 2083/84) targets 7 percent economic growth and 5.5 percent inflation, while maintaining foreign exchange reserves sufficient to cover at least seven months of imports. It continues an accommodative stance, keeping policy rates low to support private sector credit and investment.

The policy targets broad money supply growth of around 14 percent and private sector credit growth of 11 percent. It signals a clear easing direction by cutting the policy rate from 4.50 percent to 4.25 percent and easing the standing liquidity facility rate to 5.75 percent.

To ensure liquidity actually flows into the economy rather than sitting trapped in bank vaults, NRB has also loosened regulatory limits across key borrowing channels: raising the private housing loan cap from NRs 2 crore to NRs 3 crore, lifting margin lending ceilings from NRs 15 crore to NRs 25 crore, and doubling the personal overdraft limit to NRs 1 crore. Together, these changes are designed to inject purchasing power and leverage into real estate, equity markets, and domestic consumption.

To support MSMEs specifically, the policy expands collateral-free microfinance lending limits to NRs 15 lakh and introduces digital micro-lending up to NRs 10 lakh. It also addresses banks' NPL-driven caution directly, offering targeted restructuring and rescheduling facilities, relaxed working capital loan guidelines, and eased blacklisting provisions.

Whether these measures succeed where earlier rate cuts failed is an open question. Raising borrowing limits addresses the supply of credit — but the piece's own argument is that Nepal's problem is weak demand for credit, driven by low capacity utilization, stalled public spending, and low investor confidence. Higher lending ceilings on housing and margin loans may re-ignite speculative borrowing in real estate and equities, but they do little to address the manufacturing sector's idle capacity or the government's underspending — the two factors this piece identifies as most binding. The MSME provisions look like the more promising lever, since they target productive small business activity directly rather than relying on asset-market speculation to pull liquidity into circulation.

Conclusion: From liquidity to prosperity

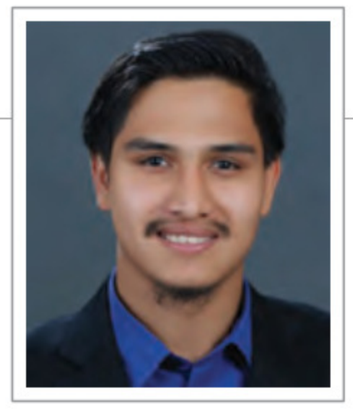
Nepal's banking sector deserves credit for rebalancing liquidity and preserving systemic stability. With liquidity abundant and base rates at historic lows, the country's economic challenge has fundamentally shifted. The policy conversation can no longer revolve around credit supply or liquidity management — it must move toward improving the efficiency of financial intermediation and ensuring effective credit transmission into the real economy.

The next generation of financial reform must realign banks, regulators, and the state. Banks need to modernize credit assessment, shifting away from collateral-based lending toward cash-flow-based, transaction-based, and sector-specific risk models. Regulators must strengthen credit information infrastructure and improve loan-pricing transparency. Most importantly, the government must accelerate capital expenditure and deliver policy predictability to restore private sector confidence.

The true measure of a banking system, in the end, lies in how efficiently it transforms idle savings into productive enterprise, enterprise into employment, and employment into sustainable national prosperity. ■

(Saramsh Kharel Assistant Manager, Rastriya Banijya Bank.)

OPINION



KUMAR SILWAL

Nepal's Annual Tax Amnesties

A Pragmatic Reset or a Dangerous Habit?

Finance Bill 2083 introduces Nepal's most sweeping tax settlement scheme yet, extending relief from unpaid taxes to court disputes and even criminal proceedings. While it offers businesses a rare opportunity to clear long standing liabilities, it also raises a familiar question: does another amnesty strengthen compliance or merely postpone the problem?

Every budget season brings a familiar opportunity for taxpayers and businesses burdened by old disputes, unpaid taxes, and missed filings. This year, however, the government has gone further than ever before.

Through Finance Bill 2083, Nepal has unveiled what may be its most ambitious tax compliance and dispute settlement package in recent memory, offering relief across a wide spectrum of tax and regulatory liabilities. In scope, scale, and design, it surpasses previous Finance Acts by extending relief beyond routine tax arrears into the courtroom and, for the first time, into the realm of criminal tax enforcement. For thousands of businesses and individuals carrying years of unresolved liabilities, it may represent the most significant compliance window ever offered.

Nepal's reliance on tax amnesties and compliance relief measures has generally coincided with periods when significant tax arrears, unresolved disputes, or widespread non- compliance have accumulated in the economy. The rationale is largely pragmatic. When large numbers of taxpayers remain outside the tax net, carry substantial unpaid liabilities, or become entangled in prolonged disputes, strict enforcement often proves costly, time consuming, and yields limited results.

Successive governments have therefore used amnesty schemes to encourage voluntary regularisation by reducing the financial consequences of past non-compliance. In this sense, tax amnesties have become a mechanism for resetting the relationship between taxpayers and the state whenever compliance gaps, economic pressures, or administrative bottlenecks threaten effective revenue collection.

Finance Bill 2083 follows the same pattern, but the trigger this time is the economic slowdown of FY 2082/83, compounded by the Gen Z protests, weakening business confidence, and a growing backlog of unresolved tax disputes clogging the courts, the Revenue Tribunal, and the Inland Revenue Department (IRD). The government's response is not tighter enforcement but a broader settlement package than Nepal has seen before, covering income tax, VAT, excise duty, customs, corporate compliance obligations, and, crucially, litigation at every stage of the appeals process.

Anatomy of the Tax Amnesty

Before examining the specifics, it is important to understand what Nepal's tax amnesty does and does not offer.

It is not a tax holiday. Taxpayers must still pay the full principal amount of tax owed. What is waived is the punitive layer that accumulates over time: interest, penalties, late fees, and other charges that can eventually exceed the original tax liability. For businesses carrying decade old disputes, these additional costs often make voluntary compliance practically impossible. The amnesty removes that barrier.

In previous Finance Acts, taxpayers seeking relief were generally required to pay a substantial portion of accrued interest, typically around 50 percent, as provided under Finance Act 2078. Finance Bill 2083 reduces that surcharge to just one percent of the principal amount. For businesses with large outstanding liabilities, the difference is significant.

The authority for these waivers stems from the annual Finance Act, which temporarily overrides the penalty provisions of the Income Tax Act 2058, the VAT Act 2052, and the Excise Duty Act 2058. Because these measures are

contained within the Finance Act rather than permanent legislation, they expire at the end of the fiscal year, creating a limited compliance window rather than a standing concession.

The Architecture of Relief: Who Qualifies?

Finance Bill 2083 covers an unusually broad range of taxpayer situations. Its provisions can be understood in layers, ranging from simple registration issues to complex litigation.

Never registered?

Section 40(1) offers a clean slate for individuals and businesses that earned taxable income but never obtained a Permanent Account Number (PAN). By registering, filing returns for FY 2079/80 through FY 2082/83, and paying the principal tax plus one percent, taxpayers receive a full waiver of accumulated interest and penalties. Liabilities predating FY 2079/80 are effectively extinguished.

Registered but inactive?

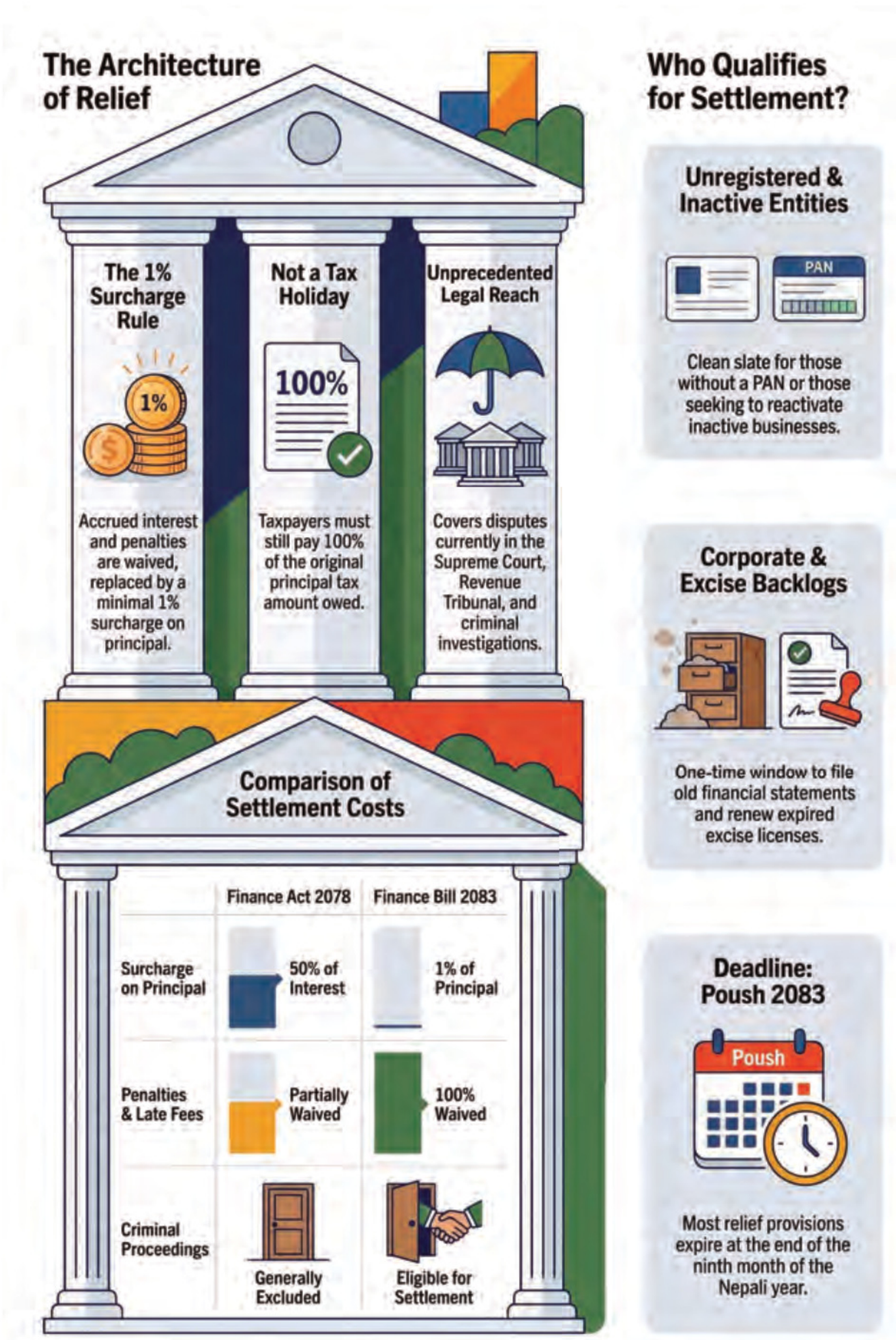
Section 40(2) addresses taxpayers who obtained a PAN but never conducted taxable activities or filed returns. They may reactivate or cancel their PAN, file the required returns for FY 2082/83, and settle any applicable taxes. Failure to act could result in automatic PAN cancellation.

Filed but did not pay?

Section 40(3) applies to taxpayers who correctly filed returns but failed to pay the assessed tax. Payment of the principal amount plus one percent by the end of Poush 2083 results in a complete waiver of interest and penalties. Section 47 extends similar relief to Nepali and resident individuals employed by UN agencies and diplomatic missions who failed to file returns despite having tax liabilities.

VAT arrears?

Sections 41(1) and 41(2) cover both businesses that conducted VAT taxable transactions without filing returns and those that filed returns but failed to pay the declared tax. The remedy is straightforward: file returns up to Chaitra 2082, pay the principal tax plus one percent, and receive a full waiver of penalties and interest.



Excise duty issues?

Section 43(1) allows businesses dealing in excisable goods without a licence, or those that failed to collect excise duty, to regularise their position by paying the principal liability plus one percent. Section 43(2) separately permits businesses with expired excise licences to renew them by paying only the renewal fee for FY 2082/83 before the end of Asoj 2083, with all prior fees and penalties waived. Missing the deadline results in automatic licence cancellation.

Corporate compliance backlogs?

Section 48 opens a one-time compliance window for companies registered under the Companies Act 2063 that have accumulated years of unfiled returns, outstanding financial statements, and unpaid fees. By filing the required documents for FY 2082/83 and paying the applicable fee before the deadline, companies can secure a waiver of all previous dues,

penalties, and interest, regardless of whether they intend to continue operating or formally dissolve.

No More Waiting for a Verdict

The most consequential and unprecedented feature of Finance Bill 2083 is its reach into ongoing tax disputes. Previous Finance Acts have generally avoided interfering in active litigation. This Bill does not.

Section 44 allows taxpayers who filed returns correctly but left assessed liabilities unpaid to settle by paying the principal tax plus one percent before the end of Poush 2083, thereby eliminating all interest, penalties, and late fees.

Section 45 extends similar treatment to tax assessments, revised assessments, and excise determinations issued by the IRD and outstanding as of Jestha 15, 2083. Telecommunications companies, however, are specifically excluded.

Section 46 pushes the boundary further. Taxpayers challenging assessments before the IRD, the Revenue Tribunal, or any court, including the Supreme Court, may withdraw their appeals, pay the assessed tax plus one percent, and receive a complete waiver of accumulated penalties, interest, and fees. The government may likewise withdraw its own appeals before the Supreme Court once settlement occurs.

In effect, tax litigation becomes a negotiable settlement rather than a binary legal contest.

Section 50 goes further still. Taxpayers facing proceedings under the Revenue Leakage (Investigation and Control) Act 2052, including criminal cases involving VAT or income tax evasion, may settle by paying the adjudicated amount plus one percent. In return, the government may waive criminal fines and seek withdrawal of the case.

Recent Finance Acts have never extended relief this deeply into criminal tax enforcement. It marks a significant departure from past practice.

Does Amnesty Help or Harm?

The breadth of Finance Bill 2083 makes a long-standing policy debate more relevant than ever: does the recurring use of tax amnesties strengthen Nepal's compliance culture or gradually undermine it?

Supporters argue that Nepal's informal economy is simply too large to formalise through enforcement alone. Much non-compliance stems not from deliberate evasion but from structural informality, procedural complexity, and the high cost of compliance. Amnesty lowers the cost of re-entry into the formal system. In practice, such schemes have generated thousands of new PAN registrations and VAT filings. Even at reduced penalty rates, the immediate revenue collected often exceeds what could realistically be recovered through prolonged enforcement.

Critics, however, warn of the opposite effect. When taxpayers come to expect regular amnesty windows, the incentive to comply on time weakens. The calculation becomes straightforward: delay payment today and wait for tomorrow's waiver. This "amnesty anticipation effect" is a well-documented risk in jurisdictions where tax amnesties become routine rather than exceptional.

Previous Finance Acts attempted to signal restraint by tightening eligibility requirements. Finance Bill 2083 appears to reverse that trend, reintroducing broader and more generous terms, including litigation and criminal settlement provisions. Whether that sends the right message to chronic non compliers remain open to debate.

A more balanced view suggests that both sides are partly correct, yet neither addresses the underlying problem. Nepal's persistent compliance challenges stem not only from taxpayer behaviour but also from systemic weaknesses: cumbersome registration processes, excessive penalty structures, lengthy dispute resolution mechanisms, and limited administrative capacity within the tax authority.

Annual amnesties address the symptoms of these problems rather than their root causes.

Finance Bill 2083's extension into litigation and criminal proceedings illustrates just how deep those structural issues run. A dispute backlog so large that it requires a Finance Act provision to clear it is not a problem that amnesty alone can solve.

The real question is not whether the scheme will improve compliance this year. It probably will. The question is whether it will leave the tax system stronger next year or merely reset the clock until the next amnesty arrives.

Whatever one's view of the policy debate, the practical reality for taxpayers carrying years of unresolved liabilities is clear. Finance Bill 2083 offers the most generous settlement terms Nepal has seen, covering a wider range of circumstances than any previous Finance Act and doing so at the lowest surcharge threshold in recent years.

For businesses engaged in litigation, including disputes before the Revenue Tribunal and the Supreme Court, the opportunity to settle assessments and simultaneously withdraw proceedings provides a genuine path to finality without the cost and uncertainty of continued appeals.

The window remains open until the end of Poush 2083. Whether taxpayers take advantage of it, and whether the government uses it as an opportunity to pursue deeper structural reforms alongside revenue recovery, will determine whether Finance Bill 2083 is remembered as a turning point or simply another chapter in Nepal's enduring amnesty habit. ■

(Kumar Silwal is Senior Associate at Sinha Verma Law Concern.)

OPINION



SATYENDRA TIMILSINA

Why This Year's Monetary Policy Looks Beyond Interest Rates

After years of relying on lower interest rates to stimulate lending, Nepal Rastra Bank held its policy rate steady this year and turned instead towards strengthening the monetary transmission through financial sector reforms, a quieter but more consequential shift in the country's monetary policy.

For nearly three years, Nepal Rastra Bank has maintained an expansionary monetary policy to support economic recovery and encourage greater credit expansion. The premise was straightforward: lowering the cost of borrowing would encourage businesses to invest more and banks to lend more.

Interest rates responded as intended. Average lending rates declined by more than five percentage points over the past three years. Credit growth, however, remained considerably more subdued than anticipated. This signaled that bank credit in Nepal has become less responsive to interest rate changes as against what economists normally expects.

That recognition underpins one of the more significant aspects of FY 2026/27 monetary policy, even if it is one that draws less attention than a headline rate change. The NRB has chosen to keep the policy rate, the standing deposit facility rate, and the bank rate — the core instruments of our interest rate corridor — unchanged this year.

Rather than reaching for further rate adjustments, we have placed greater emphasis on improving the transmission of monetary policy by addressing structural obstacles within the banking system itself. The central bank is committing to review the regulatory provisions and directives that may be unintentionally constraining credit flow. This is not a departure from our earlier approach so much as an evolution of it, towards making the financial system function more efficiently.

We see this distinction as an important one. Monetary policy can create favorable financial conditions through interest rate cuts but cannot by itself guarantee that credit reaches productive businesses. Effective transmission depends on banks and financial institutions that are well capitalized, prudently governed, capable of risk assessment, and operating within a regulatory framework that facilitates sound lending rather than unintentionally discouraging it.

One structural issue we want to address is how credit is assessed. Nepal's banking system continues to rely heavily on collateral, particularly land and buildings, as the principal basis for lending decisions. We recognize the prudential logic behind this — collateral provides security. But excessive dependence on fixed assets can also limit financing for businesses with sound cash flows, credible management, and viable investment plans, particularly small and medium enterprises that often lack substantial property holdings. The central bank would like to see banks complement collateral with greater emphasis on cash flow, business performance, and future earning capacity. This is not about eliminating collateral from lending decisions, but about broadening the assessment of creditworthiness so that productive enterprises can compete for finance on the strength of their business prospects as well as their assets.

Capital quality is equally central to our thinking. Public discussion frequently focuses on paid-up capital as a measure of banking strength, but we need to place greater emphasis on the quality

of capital — particularly free reserves and retained earnings accumulated through sustained profitability. These internally generated buffers provide the first line of defense during periods of economic stress and strengthen bank's capacity to absorb unexpected losses while continuing to lend. Strengthening the capital base is therefore not simply about raising additional capital; it is equally about how much profit banks choose to retain to reinforce their own balance sheets. We believe a more prudent balance between dividend distribution and reserve accumulation would contribute meaningfully to financial resilience over the long term. However, at the current stage where some banks and financial institutions are facing capital stress, NRB has begun issuing approvals for injecting additional capital through several instruments including right shares. This will continue for capital stressed BFIs and is expected to ease the capital stress in the banking industry.

This naturally leads to the question of governance. Strong capital alone cannot compensate for weak governance. Sustainable banking depends on sound board oversight, prudent risk management, transparent decision-making, and an institutional focus that extends beyond short-term profitability. Measures the central bank is taking to strengthen reserve requirements and capital quality can reinforce this objective, but governance ultimately depends on the incentives and discipline within each institution. We also want banks to reduce their own operating costs through branch rationalization and digitalization, and to pass those savings on to their customers — institutional efficiency, not liquidity alone, determines how well monetary policy ultimately reaches borrowers.

The management of stressed assets is another priority for the NRB this year. Periods of slower economic growth inevitably place pressure on some borrowers, and we think it is essential to distinguish between businesses facing temporary financial stress and those that are no longer commercially viable. Timely restructuring of viable loans, transparent recognition of stressed assets, and efficient recovery mechanisms can often preserve economic value while protecting financial stability. The central bank also intends to keep improving credit documentation, strengthening working capital discipline, and discouraging the practice of loan evergreening. International experience, including reforms undertaken in neighboring India, has shown us how credible resolution frameworks can substantially improve the health of a banking sector over time, and we are drawing on that experience as we design our own.

Two provisions in this year's policy reflect these priorities directly. Point 20 sets out several measures to ease practical constraints on lending: removing the unlimited liability that personal guarantees can currently create, reducing instances where blacklisting arising from cheque dishonor cuts off access to banking services, managing non-performing loans tied to sick industries, and reviving loans under stress. It also sets share-collateral lending limits based on the strength of the institution rather than a uniform ceiling and facilitates loan-to-value ratios for large electric vehicles used as public transport. The first set of measures addresses existing impediments within the credit system; the latter is intended to encourage lending toward a specific policy priority.

Point 21 carries this agenda further. The NRB is committing to simplify the directives issued to banks and financial institutions — removing linguistic complexity and redundancy rather than merely clarifying individual rules. As a first step, we will rewrite the directives relating to credit flow, interest rates, and financial consumer protection. Together, the central bank hopes these measures will remove policy bottlenecks that may have weakened monetary transmission in recent years.

Taken as a whole, this represents a shift in the central bank's regulatory philosophy. Rather than relying primarily on lower interest rates to stimulate lending, we are working to improve how credit moves through the financial system. We recognize that credit markets function best when monetary policy, banking regulation, institutional governance, and prudent risk management reinforce one another rather than operate in isolation.

We do not expect these reforms to produce immediate results. Improvements in banking systems emerge gradually, as institutions strengthen their balance sheets, refine lending practices, and build confidence among borrowers and investors alike. Interest rates will remain an essential instrument of our monetary policy, but the NRB's experience over the past two and a half years tells us they are only one component of a much broader framework.

That experience has taught us an important lesson: lower borrowing costs are a necessary condition for stronger credit growth, but not always a sufficient one. Sustained expansion in productive lending depends equally on stronger capital, sound governance, better credit assessment, effective resolution of stressed assets, and regulations that enable rather than impede the flow of finance.

We see this year's monetary policy as the beginning of that broader transition, and the central bank believes it may prove to be one of the more consequential shifts in our banking reform agenda. Our objective is not simply to make credit cheaper. It is to make credit work better — ensuring that financial resources are allocated more efficiently, that monetary policy is transmitted more effectively, and that the banking system becomes a stronger foundation for the country's long-term economic growth. ■

(Timilsina is Executive Director at Nepal Rastra Bank and heads the central bank's Economic Research Department. This article is based on his comments to The Business Age.)

OPINION



YUKI POUDYAL

AI Is Already Here. Is Nepal's Workforce Ready?

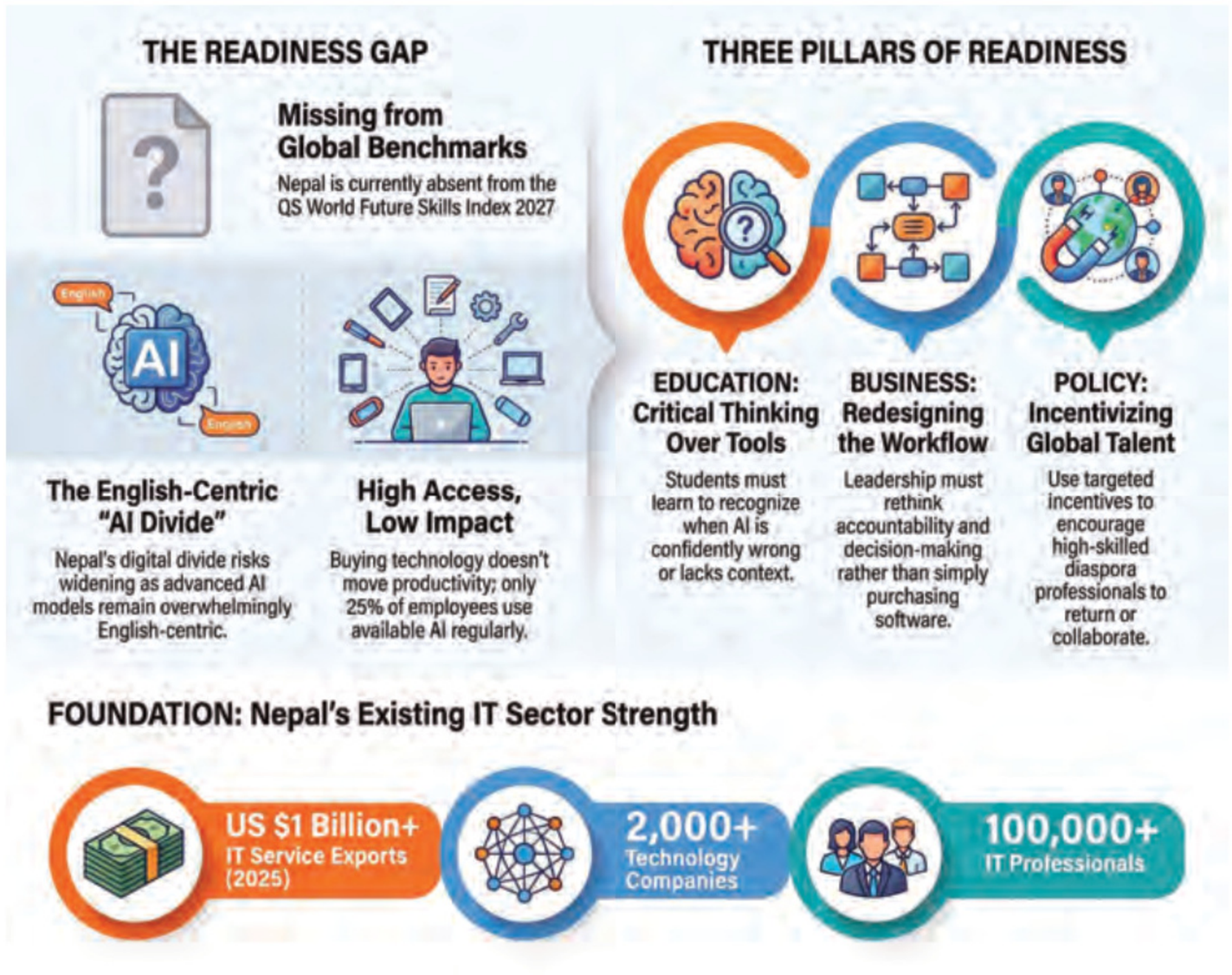
Nepal's AI debate has focused on technology and tools. The bigger challenge is preparing people. Real AI readiness will depend on whether schools, businesses, and policymakers can equip workers with the judgment, skills, and opportunities to thrive alongside intelligent machines.

Over the past year, I have had the opportunity to speak on AI panels in Kathmandu while Nepal Education Consultancy (NEC) has sponsored hackathons and innovation initiatives to nurture emerging talent. One concern surfaces repeatedly: will AI make today's workforce obsolete?

That's the wrong thing to worry about.

AI is already drafting contracts, screening loan applications, and handling customer queries in Nepali businesses. It's here. The real question is whether Nepal is prepared for an AI driven workforce.

By any honest measure, the answer is no.



Closing that gap requires action on three fronts simultaneously: education, business, and public policy. At present, only one of those conversations has gained meaningful momentum, and even that is not enough.

The starting point is the classroom, where the challenge is often misunderstood. Discussions about AI readiness usually boil down to a single question: how many students know how to use AI tools? That is no longer the difficult part. Young people across Nepal have embraced AI much as an earlier generation adopted smartphones long before schools began teaching digital literacy. Ask almost any university lecturer in Kathmandu and they will tell you AI is already reshaping how assignments are researched and written.

The real challenge lies beneath the technology itself. Students must learn to think critically about AI generated content. They need to recognise when AI is confidently wrong, understand the context it cannot capture, and know when its answers should not be trusted. Those skills deserve the same emphasis as research methods, academic integrity, and

citation. Otherwise, we risk producing graduates who can generate polished answers without truly understanding them.

The problem is compounded by the lack of reliable national benchmarks. The QS World Future Skills Index 2027 measures countries' preparedness for future labour markets, yet Nepal is absent because no Nepali university currently qualifies for the QS World University Rankings. We are not simply behind, we are missing from the benchmark altogether.

The labour market tells a similar story. A recent World Bank review estimates that around 43 percent of Nepal's workforce is underemployed, reflecting what many researchers now describe as an employability challenge rather than simply an unemployment problem. AI will not solve that structural weakness on its own. If anything, it is likely to widen the gap by placing an even greater premium on analytical thinking, creativity, and judgement.

Nor will the impact be evenly distributed. The same hackathons that inspire optimism also reveal a quieter divide between students who have reliable internet access, strong mentors, and fluent English, and those who do not. Because today's most advanced AI models remain overwhelmingly English centric, Nepal's digital divide risks becoming an AI divide.

The same questions extend into the workplace.

First, employers need far stronger partnerships with universities and training institutions. Teaching students how to use AI tools is only half the equation. Defining what it means to be job ready in an AI enabled workplace is something only industry can do, yet too few employers are actively shaping that conversation.

Second, organisations need to redesign work, not simply buy new technology. IBM's 2026 Global CEO Study found that while 85 percent of employees have access to AI tools, only about one quarter use them regularly. That is not a technology problem. It is a leadership problem. Buying the technology doesn't move productivity. Redesigning the work around it does. Leadership must rethink workflows, decision making, and accountability if AI is to generate real value. Nepali businesses have the advantage of learning from global experience instead of repeating the same mistakes.

The greatest opportunity, however, lies at the policy level.

Nepal's IT sector has quietly become one of the country's fastest growing export industries. IT service exports surpassed US$1 billion in 2025, supported by more than 2,000 technology companies and over 100,000 professionals. That success points to a much larger opportunity. The goal should not be limited to helping Nepali businesses adopt AI. Nepal should also aim to build AI powered products and services that compete in global markets.

Companies such as Niural, the AI powered global payroll platform co-founded by Nepali origin entrepreneurs Nami Baral and Nabin Banskota, and Fusemachines, founded by Dr. Sameer Maskey, demonstrate what is possible. Although their headquarters and primary markets are overseas, engineering, AI talent development, and product innovation remain deeply connected to Nepal. Their success suggests Nepal can become more than a supplier of skilled workers. It can become a place where globally competitive AI companies are built and scaled.

The question is how to make that less rare.

Other countries have experimented with targeted policies to attract highly skilled professionals back home. Italy's Controesodo programme increased the likelihood of eligible high skilled emigrants returning by 27 percent, while Malaysia's Returning Expert Programme encouraged diaspora professionals to reconnect with domestic industries. Nepal need not copy either model wholesale, but both demonstrate that carefully designed incentives can influence long term talent flows.

I see the potential every day. More students than ever are choosing degrees in computer science, artificial intelligence, and data science abroad, and I do not believe that instinct is misplaced. The real opportunity is ensuring Nepal remains part of their journey after graduation, whether through return migration, stronger diaspora collaboration, or globally connected companies expanding engineering teams here. Some estimates suggest Nepal's technology sector could create around 500,000 technology enabled jobs over the next decade. Achieving that ambition will depend not only on talent, but also on the policies, institutions, and business environment that allow talent to flourish.

None of this requires waiting for someone else to act. Schools can begin teaching critical thinking alongside AI tools. Businesses can build stronger partnerships with universities. Policymakers can introduce targeted measures that attract, retain, and develop globally competitive talent.

Ultimately, there is a simple way to judge whether Nepal is becoming AI ready. It is not by counting AI subscriptions or training certificates.

It is by asking how often someone in the room tells the AI it is wrong, and is right when they do. That is the real measure of AI readiness. In the years ahead, countries will compete not simply on access to artificial intelligence, but on the quality of human judgement that surrounds it. ■

(Poudyal is the Director of Nepal Education Consultancy.)

OPINION



DIPTI SAPKOTA

The Empty Chair

Why Nepal Must Rethink Director Liability

As directors resign rather than risk personal liability, Nepal's company law is exposing a fundamental weakness. A modern governance system should distinguish between those who run companies and those who oversee them.

For the past two months, Nepal's business newspapers have carried a curious story. A major financial crime case has been filed against a group of people, including company executives and directors across the insurance, securities, and banking sectors, naming dozens of defendants and seeking recovery of several billion rupees in alleged losses. Under existing law, anyone named as a defendant in a money laundering case is automatically suspended from their position while proceedings continue, so it is no surprise that several companies are now without leadership. But something else has been happening alongside this: directors who have not been charged, including some who were only recently appointed, have been resigning anyway, well before any court has delivered its verdict.

The vacuum in the corporate governance points to something bigger: a system in which no director, whether an executive, someone appointed by the promoters, or someone representing public shareholders, really knows what protection the law gives them for simply doing their job properly. That should worry all of us, because companies do not run themselves. If capable, independent-minded people decide that being a director is now a legal risk with no real defence, those board seats will not stay empty for long. They will simply be filled by people willing to nod along with whatever management wants, which is exactly what good governance law is supposed to prevent. The resignation of such directors will ultimately harm the interests of minority shareholders.

To understand how we got here, it helps to look at how the law treats different kinds of directors who usually sit on the same board and ask whether the liability each of them faces actually matches the role they are meant to play.

Executive Directors

Executive directors sit inside day-to-day management. They typically hold operational titles such as managing director and are directly involved in running the company, implementing board decisions, overseeing operations and representing the company in its ordinary business dealings.

Their duties extend beyond attending board meetings to actually carrying out what the board decides, which gives them full access to company information and direct decision-making authority over the matters entrusted to them.

Non-Executive Directors

Non-executive directors sit on the board but do not manage the company day to day. Their role is oversight: reviewing what management brings to the board, asking questions, and approving or rejecting proposals based on the information they are given. They are not involved in implementing board decisions, and are structurally dependent on management for the facts they need to do their job; they cannot verify every transaction themselves, and they are rarely in the room when a decision is actually carried out.

Nepal's Companies Act does not distinguish between executive and non-executive directors as separate legal categories. The Companies Act defines "director" and "managing director," but nothing in between.

Independent Directors

Independent directors are non-executive directors who also have no financial or material relationship with the company. Their only financial interest in the company is the fee they receive for serving on the board. Nepal's laws require every public company to appoint an independent director and prescribe specific

qualifications for the role.

The Companies Act requires an independent director to hold a bachelor's degree in a relevant field and to meet prescribed work-experience requirements. Sector-specific laws, such as the Bank and Financial Institutions Act and the Insurance Act, layer on additional eligibility requirements tailored to those industries, including sector-specific experience and qualifications.

Independent directors are appointed precisely because their distance from the company enables fair supervision and assessment. By staying detached from daily operations and material relationships, they are meant to ensure unbiased decision-making, mitigate conflicts of interest, and impartially monitor management and financial reporting.

Liability Should Track the Director's Role

The approach followed in most mature systems of company law is to scale a director's liability to the role they actually play on the theory that an executive director and a non-executive or independent director cannot fairly be judged by the same yardstick.

India offers a useful reference point. Under the Indian Companies Act, 2013, a non-executive director who is not a promoter or key managerial personnel, including an independent director, is liable only for an act of omission or commission that occurred with their knowledge, attributable to them through board processes or proceedings, and with their consent or connivance, or where they failed to act diligently.

In practice, this narrows liability to four questions: Did the director actually know about the wrongful act? Can it be traced to something considered at a board meeting they attended? Did they consent to it, or fail to object when they had the chance? And did they otherwise fail to engage diligently with their duties? A director who can show they raised an objection, or who was never made aware of the underlying conduct through any board process, falls outside the four corners of liability.

The protection is real but not automatic. Indian courts and regulators have applied this provision inconsistently, and a passive director who never asks questions or reviews board papers gets no shelter from it. Even so, the provision gives non-executive and independent directors something Nepal's law does not: a defined path to demonstrate that their role, and not just their title, should determine their exposure.

Nepal's own precedent cuts the other way. Looking at past judicial decisions and regulatory action, all directors of a company tend to be implicated and issued notices together, regardless of role, knowledge, or involvement. Nepal's Companies Act does not recognize anything resembling a business judgment rule, and it offers no safe-harbour equivalent to the Indian provision. Nor does it account for the reputational and professional harm a director suffers simply from being named, harm that persists whether or not the case ultimately succeeds.

The United States offers a different point of comparison. In Delaware, where most large American companies are incorporated, every director, executive or not, is technically held to the same standard: gross negligence. On paper, there is no separate, easier rule for independent directors. But in practice, they end up better protected. When a majority of the board approving a decision is made up of independent directors with no personal stake in it, courts give the board the benefit of the doubt more readily, and it becomes much harder for anyone to prove the board did something wrong. The result is that an independent director is, in practice, harder to hold liable than an executive sitting on the same board, not because a different rule applies to them, but because courts trust that an independent board did its job properly when it made the call.

That protection is not unconditional. A director who does nothing at all, who never asks questions, never engages, never actually does the work of a director, can still be held liable, regardless of title. The lesson for Nepal is simple: independent directors should not get a free pass just for being independent, but they also should not carry the same risk as the executives running the company, so long as they are genuinely doing the job of an engaged, informed director.

What Nepal Should Take From This

None of this argues for letting directors off the hook. It argues for a liability regime that can tell the difference between the executive who authorized a transaction, the non-executive director who approved it based on false information, and the independent director who was never told about it at all. Right now, Nepal's law cannot make that distinction, and the current wave of resignations is the predictable result: when the law treats every director the same regardless of role, the rational response for anyone without direct control over the company's affairs is to leave before the law gets the chance to ignore that distinction too.

A workable fix does not require reinventing Nepal's company law. It requires borrowing the structure, if not the exact text, of the Indian provision; a defined test tied to knowledge, board-process attribution, consent, and diligence, so that non-executive and independent directors have an actual standard to meet, rather than facing suspension and regulatory notices regardless of what they did or knew. Pairing that with a floor of diligence, so passive directors get no shelter, would keep the reform from becoming a blank cheque. Until Nepal makes that change, the boards of its companies will keep losing exactly the people good governance depends on, and minority shareholders will be the ones who pay for it. ■

(Sapkota is a Senior Associate at Pioneer Law Associates, with expertise in capital markets, foreign investment, and general corporate matters.)

COVER STORY

THE MAKING OF NEPAL'S PLATFORM ECONOMY

From payments to platforms, Nepal's digital pioneers are racing to own everyday life. The next battle will be fought over identity, data and infrastructure.



■ Ashim Neupane

A young professional in Kathmandu wakes up, checks the date and the morning headlines on Hamro Patro, books a Pathao, Yango or inDrive to the office, pays for lunch through a digital banking channels, and orders dinner through Foodmandu that evening. None of this feels remarkable anymore. That is precisely the point. Somewhere in the last five years, Nepal's digital economy stopped being a collection of apps that each did one thing well and became something closer to a set of rival ecosystems, each trying to become the one screen a person never has to leave.

The executives who built these ecosystems describe the shift in strikingly similar terms, even though they arrived at it from entirely different starting points: a wallet, a food delivery bike, a ride-hailing scooter, a clearing house, a calendar app, a shopping cart. Talk to enough of them and a pattern emerges. Payments were the opening move, not the endgame.

One Job, Then Many

Every platform in Nepal's app economy began by solving one narrow problem. eSewa started as a way to move money. Foodmandu started as a website taking food orders that almost nobody used. Pathao started with two-wheelers ferrying people around congested Kathmandu. Fonepay and Nepal Clearing House Limited (NCHL) built the plumbing that let banks talk to each other. Daraz started as a place to buy things online. None of them intended, at the outset, to become anything larger.

"People do not just use the eSewa app for sending money anymore; they use it for multiple, diverse services," says Bipin Khanal, Chief Technical Officer at eSewa. He traces a clear arc: from top-ups and mobile recharges, to utility payments, to government services to education payments, each expansion waiting on the institutions around it to be ready before it could happen. "eSewa evolved, moving from regular utility payments to more advanced sectors like government-related and education-related payments, continuously expanding its scope," he says. "Just as eSewa has led the payment sector up until now, we want it to lead the digital economy as a whole, including people from all backgrounds across the mountains, hills, and the Terai."

The scale is now independently verifiable rather than self-reported. According to eSewa's annual report, the company serves more than 10.8 million users, with a network of over 560,000 merchants and partnerships with 49-plus banks. Revenue from operations reached Rs 21.25 billion in FY 2024/25, though cost of services consumed almost all of it, leaving a net profit of Rs 453.4 million, a margin of roughly 2.1 percent. The last fiscal year moved faster with net profit up 46.6 percent in the first half. Khanal describes a platform processing around 7 million transactions daily. "Our transaction counts have nearly doubled compared year-on-year, proving that we are far from saturation and still

HOW NEPAL GOT HERE

PRE-ESEWA
Hello Paisa launches, explicitly modeled on Kenya's M-Pesa, as an early experiment in mobile money on feature phones.

eSEWA FOUNDED
Begins as a way to pay utility bills and top up mobile phones without visiting a payment counter.

FOODMANDU FOUNDED
Launches as a website; for years, roughly 90 percent of orders still come in by phone call.

TOOTLE
Emerges as an early ride-sharing monetization effort, ahead of Pathao's entry.

PATHAO FOUNDED
Enters as a two-wheeler ride-hailing service targeting Kathmandu's traffic and taxi-fare problems; later expands into four-wheelers, food, groceries, home repair, and helicopter charters.

NCHL AND FONEPAY
Build the interbank payment rails (connectIPS, QR payments) that most consumer apps quietly depend on.

2023
Dolma Impact Fund commits roughly Rs 400 million to Foodmandu, its first major institutional backing after seven bootstrapped years.

2025
Khalti merges with IME Pay to form Khalti by IME, consolidating wallet, remittance, banking, ticketing, and insurance services under one brand.







in a high-growth phase," he says.

Foodmandu's founder, Manohar Adhikari, remembers a version of Nepal's internet that today's users would not recognize. "Back then, we launched with a website, but 90 percent of our orders did not come through the web; instead, they came through traditional phone calls, with hardly ten percent coming online," he says. Today the ratio has almost completely inverted. Phone orders have shrunk to two or three percent, while roughly 98 percent moves entirely through digital channels. "Finding delivery riders was incredibly difficult because the job category simply didn't exist," he adds. "Nobody was willing to carry a food delivery bag to a customer's doorstep." The company now works with more than 500 regular riders, daily order volume has climbed from an average of five orders a day in its first year to four or five thousand today, and Foodmandu has also expanded into grocery delivery targeting a 30-minute delivery. It reports around 100,000 to 120,000 registered users and total app downloads of roughly 1.7 to 1.8 million.

Foodmandu's expansion was patient. For its first seven years, the company ran fully bootstrapped before taking small rounds of investments from True North Associates and, later, Team Ventures. Real institutional backing came in 2023, when Dolma Impact Fund committed roughly Rs 400 million, becoming the primary investor. Adhikari is candid that the business ran at a loss for most of that period, "common for e-commerce and platform businesses globally that prioritize long-term growth," he says, but points to the last quarter as the first time the core food-delivery business has moved into positive territory. Revenue comes mainly from platform service fees charged to restaurants, typically 15 to 20 percent, alongside delivery fees.

Pathao Nepal's journey followed the physical geography of Kathmandu itself. "The initial focus was on two-wheelers because there was a massive gap in the market," says Yeshu Thakali, the company's managing director. Public buses were overcrowded, and taxis were charging way more than the government-set rates. From there Pathao added four-wheelers, then rentals, home-moving, food, groceries, and, in the last couple of months, helicopter charters and home repair under Pathao Ghar Sewa. "Anything movable and legal should be able to move through Pathao," Thakali says, describing the founding vision, which also folds in fintech "since logistics includes fintech, such as money moving around." Eight years in, the company operates across 21 cities and has more than 300,000 registered riders, and is racing to fold digital payments, through integrations with eSewa and Fonepay targeted for late August, directly into the ride-ending moment.

That growth had to be fought for. When Pathao first introduced two- and four-wheelers, Thakali recalls significant friction from traditional taxi drivers accustomed to negotiating fares on the street rather than accepting app-set, government-regulated rates. What changed drivers' minds, in his account, was efficiency: instead of managing five fares a



day at a street corner, the app let them complete ten to fifteen trips within a two-to-three-kilometer radius. "Over time, taxi drivers organically accepted the model, and that particular friction no longer exists in Kathmandu," he says, adding that the same acceptance has extended to 21 cities beyond the capital.

Pathao's competitors have taken different routes to the same instinct. inDrive built its brand on letting passengers and drivers negotiate fares rather than accepting a fixed algorithmic price and describes its approach to newer technology in modest terms. Mark Tolley, the company's Asia-Pacific regional director, frames artificial intelligence as an enabler rather than a replacement for human-centered decision-making, used for fraud detection, route optimization and matching riders with drivers, not for reinventing the core product. Yango has entered the market with its own technology platform and service model. The approaches differ, but the underlying objective is the same: not simply competing for transport but competing to become part of a customer's daily routine.

The platform economy has emerged as an important source of transitional employment in Nepal, particularly for young people seeking flexible income opportunities. Unlike traditional full-time jobs, platform-based work allows individuals to earn on a part-time or short-term basis while studying, running a business, or holding another job.

NEPAL'S PLATFORM ECONOMY BY THE NUMBERS

Company	Core business	Users / reach
eSewa	Digital wallet	10.8M+ users, 560K+ merchants, 49+ banks
Khalti by IME	Digital wallet	10M+ users, 200K+ merchants
Fonepay	Payment network (bank backend)	20M+ users, ~2M merchants, 250K daily transactions
NCHL	Interbank clearing / connectIPS	2.5-2.6M linked accounts, 211.22M transactions worth Rs 18.60 trillion*
Pathao	Ride-hailing, delivery, fintech	300K+ registered riders, 12,000+ four-wheeler partners, 21 cities
Foodmandu	Food and grocery delivery	100-120K registered users, 1.7-1.8M downloads, 4-5K daily orders
Hamro Patro	Calendar / lifestyle, expanding into payments	10M+ Android downloads

Category	Major Platforms
Digital Wallets	eSewa, Khalti by IME
Payment Infrastructure	Fonepay, NCHL
Ride Hailing	Pathao, inDrive, Yango
Food Delivery	Foodmandu
E Commerce	Daraz
Digital Public Services	Nagarik App
Lifestyle	Hamro Patro



BIPIN KHANAL
Chief Technical Officer, eSewa

eSewa aims to become a super app

eSewa has evolved from Nepal's first digital wallet into a broader digital platform. Across its consumer, merchant, and representative ecosystems, the platform has recorded around 20 million downloads. It currently serves roughly 500,000 merchants and millions of active users, with exact verified customer figures to be confirmed.

The platform has expanded far beyond basic services like mobile top-ups and utility payments. Today, users can access government services, education payments, insurance, SIP investments, and other digital financial services.

The company is also entering digital lending through its upcoming Easy Loan service. Working with multiple banks and financial institutions, eSewa will provide one-click micro-loans based on customer behavior and eligibility, initially targeting merchants before expanding to individual users.

On average, eSewa processes around seven million transactions daily, with over three million daily active users. Recent additions include biometric one-click checkout, accessibility features such as TalkBack, and eSewa Circle, which folds social features like chat, bill splitting, and gifting into the payment experience.

Looking ahead, eSewa aims to become a super app by integrating third-party services into a single platform. Infrastructure gaps and digital literacy remain challenges in remote areas, but the company believes collaboration between industry, telecom providers, and government is essential. As digital payments grow, eSewa sees cash, not competing wallets, as its biggest competitor. ■

According to Pathao, more than 300,000 two-wheeler riders and around 12,000 four-wheeler drivers have been onboarded onto its platform. Around 80 percent of these workers participate part-time, with only 20 percent relying on the platform as their primary occupation. The company views ride-sharing as a means of earning supplementary income rather than a long-term career. Beyond employment, platforms have also formalized parts of Nepal's informal economy by digitizing services such as taxi operations and home maintenance, improving efficiency and income potential.

However, significant challenges remain. The legal and regulatory framework has not fully adapted to the realities of gig work. For example, the current Social Security Fund model is designed for long-term employment and is often impractical for workers who engage in platform work for only a few months.

Foodmandu has attempted to address worker welfare by guaranteeing a basic daily pay that meets the government's minimum wage requirements and by offering monthly incentives that prioritize safety over speed. Despite these efforts, concerns related to social protection, job security, and sustainable earnings continue to shape the future of Nepal's platform economy. At the same time, Foodmandu has also made a significant contribution to employment generation, directly engaging around 500–550 active riders and creating business opportunities for nearly 1,500 active restaurants across multiple cities.

The Invisible Infrastructure

Behind these consumer brands sit two organizations most Nepalis have never directly opened an app for yet touch every day. NCHL's connectIPS platform links roughly 2.5 to 2.6 million bank accounts, and across all its systems the company processed about 211.22 million transactions worth more than Rs 18.60 trillion in FY 2024/25 alone, a number so large that CEO Neelesh Man Pradhan measures NCHL's share of the digital economy at "roughly fifty to seventy percent of total digital transaction value in Nepal." Its own financials are the leanest of any platform here: a net margin of about 40.4 percent, a reflection, Pradhan suggests, of clients being mostly institutions rather than individual consumers.

Fonepay operates almost invisibly behind some 60 banks and financial institutions. "It functions primarily as a back-end network connecting banks and financial institutions rather than acting as a direct consumer brand," explains CEO Diwas Sapkota, even though most Nepalis know it only as the QR logo on a shopkeeper's counter. "The mobile banking apps used by customers are built by the banks themselves, not by Fonepay," though Fonepay provides "underlying services like QR payments, fund transfers, bill payments, and credit card features." Its network reaches more than 20 million users and touches close to two million merchants, with roughly 250,000 processing transactions daily, a scale that, Sapkota says, "vastly outpaces traditional point-of-sale machines, which

only see active daily use among fifteen to twenty thousand merchants." Revenue reached Rs 973.17 million in FY 2024/25 with a net margin of 32.4 percent, the second strongest in the sector after NCHL. Its digital credit card, issued through partner banks, has approached fifty thousand cards in under a year, compared with roughly thirty thousand traditional credit cards issued in Nepal over the preceding twenty-five years combined.

What ties all of these stories together is not a shared industry but a shared instinct: once a company owns a relationship (a wallet balance, a delivery address, a ride history, a bank link), the cheapest thing it can do is sell that same customer one more service, rather than go find a new customer from scratch.

The scale of the shift is visible in the central bank's own numbers. According to Nepal Rastra Bank's (NRB, the country's central bank) Payment Systems Indicators for mid-May 2026, the country now has 28.38 million registered digital wallet accounts and 30.05 million mobile banking customers, more accounts than Nepal's population. QR payments alone have crossed into mainstream use, recording more than 59 million monthly transactions worth Rs 162.58 billion.

Khanal offers a useful outside reference point. On a recent trip to Dhaka, he met the officials of bKash, Bangladesh's dominant wallet. "bKash is extremely prominent there due to a massive population, but the core services and underlying technology are remarkably similar to what we use in Nepal," he says, adding that even the fraud patterns "share striking similarities between here and there." The difference in scale, in his telling, is almost entirely a function of population rather than any structural gap in capability or regulation.

The Wider Field

Khalti, which merged with IME Pay in 2025 to build a broader financial ecosystem spanning banking integrations, insurance, investments, ticketing and government services, now reports more than 10 million users and over 200,000 merchants under the merged Khalti by IME brand. Its restated FY 2024/25 financials show operating revenue of Rs 3.42 billion but a net profit of just Rs 1.86 million, a margin of roughly 0.05 percent, the thinnest of any major platform examined here. That places it squarely alongside eSewa as a second financial ecosystem racing to add adjacent services: vehicle tax renewal, utility payments, and public-service integrations that embed a wallet deeper into a customer's dealings with the state.

Hamro Patro represents a different route to the same destination. Its core relationship with users was never transactional. Millions simply open it each morning for the Nepali calendar, festivals, headlines and horoscopes, a habit reflected in more than 10 million Android downloads alone. That habitual attention has since become the foundation for a slower expansion into remittances, payments, health services and classifieds.



MANOHAR ADHIKARI
Founder and Managing Director, Foodmandu

Scaling newer verticals requires investment

The transformation of Nepal's online commerce ecosystem since our launch has been remarkable. When we first introduced our platform, online ordering was virtually nonexistent. We launched with a website, but around 90 percent of orders came through phone calls, with only a small fraction placed online. Today that has completely reversed: approximately 98 percent of orders are placed digitally, with phone orders limited mainly to customers facing technical issues.

The market has matured just as dramatically on the supply side. Riders were almost impossible to recruit in the early days because the profession did not exist. Today the delivery ecosystem supports thousands of riders across Nepal, including more than 500 working regularly with us. Daily order volume has grown from five orders in our first year to around 4,000 to 5,000. The platform has reached roughly 100,000 to 120,000 registered users and around 1.7 to 1.8 million app downloads.

Beyond food delivery, we expanded into quick commerce in Kathmandu and Lalitpur, enabling average delivery times of around 30 minutes. After operating bootstrapped for seven years, we secured investment from True North Associates, Team Ventures, and, in 2023, roughly Rs 400 million from Dolma Impact Fund.

Our core food delivery business has recently moved toward profitability, but scaling newer verticals still requires investment. Looking ahead, Nepal's platform economy must address the absence of a standardized addressing system, regulatory uncertainty around gig workers, and limited exit opportunities for investors. Sustained collaboration between government, regulators, and industry will be essential to modernize policy, improve logistics, and let digital platforms keep growing sustainably. ■



YESHU THAKALI

Managing Director, Pathao Nepal

Pathao focuses on safety, customer trust

Pathao began as a ride-sharing platform but has evolved into a multi-service digital ecosystem. Our first offering focused on two-wheelers to address Kathmandu's expensive taxis and overcrowded public transport, but the long-term vision has always been to enable the movement of anything legal and movable through a single platform. Building on that success, we expanded into taxis, rental vehicles, logistics, food delivery, and quick commerce. During the pandemic we launched Pathao Food, followed by Pathao Bazar, which offers grocery and household deliveries in around 30 minutes. More recently we introduced Pathao Heli and Pathao Ghar Sewa, letting users book helicopter services and home maintenance such as appliance repair and cleaning. These newer services are still being refined, but they reflect our ambition to become an all-in-one consumer platform.

Pathao now operates in 21 cities across Nepal, with more than 300,000 registered riders and around 12,000 four-wheeler partners. Early resistance from traditional taxi operators has largely disappeared as drivers recognized the platform's ability to increase trip frequency and earnings through greater efficiency. Significant policy and infrastructure challenges remain. The absence of standardized street addresses and reliable mapping continues to raise delivery costs and operational complexity. Regulatory proposals, including restrictions on ride-hailing, mandatory training, and pricing controls, often fail to reflect market realities. Tax policy also creates disparities: ride-hailing carries 5 percent VAT while traditional public transport remains exempt.

Rather than competing solely on price in an increasingly crowded market, Pathao focuses on safety, customer trust, and service quality. Ongoing integrations with major digital wallets, and continued investment in logistics infrastructure, are expected to further strengthen Nepal's growing digital platform economy. ■

A third group is betting that specializing in one high-value vertical beats trying to become everything at once. BusSewa, with more than half a million installations, has built itself into Nepal's leading digital bus-ticketing platform. Newer entrant Firiri is bundling flights, hotels, buses, rentals and tourism packages into one travel-specific ecosystem, while airlines such as Buddha Air continue investing in their own apps rather than ceding that relationship to aggregators.

Then there is Daraz, which arrived in e-commerce rather than payments and has spent the years since building out the infrastructure, logistics, seller tools and financing rails, that a marketplace needs once shopping itself stops being novel. "Nepal's platform economy is firmly in a growth phase, but it is becoming increasingly sophisticated," says Ratish Luitel, Daraz Nepal's Chief Commercial Officer. Consumers, he argues, are far more comfortable with online shopping and digital payments than they were a few years ago, and "the next phase of growth will not be driven by user acquisition alone" but increasingly by "the quality and consistency of the experience platforms provide, including reliable fulfilment, trusted products, secure payments, responsive customer service and broader access outside major urban centres." He points to a broadening of what people actually buy online, beyond electronics and fashion into groceries, beauty products and household essentials, alongside "strong growth in customers outside Kathmandu Valley," which he reads as evidence that e-commerce is no longer a Kathmandu habit alone.

Santosh Bista, the company's Chief Logistics Officer, is candid that Nepal's terrain remains the single biggest constraint on that expansion. "Nepal's terrain, seasonal weather, and varying road connectivity continue to make last-mile delivery one of the biggest operational challenges," he says, adding that "in many areas, the lack of standardized addressing systems also adds complexity to deliveries." Technology and route planning have already improved efficiency, in his account, but infrastructure alone will not solve every challenge. Better address standardization, more accurate location data, and stronger coordination among logistics providers would meaningfully cut delivery times and failed attempts, he argues. Daraz's own answer has been DEX, its logistics network, and Daraz University, a seller-training initiative that Luitel describes as central to the platform's role: "our role is therefore not limited to facilitating transactions. We are helping businesses build the capabilities required to participate competitively and sustainably in Nepal's digital economy." Bista argues the industry more broadly "must also continue developing fulfillment models suited to Nepal's geography rather than simply adopting approaches designed for more densely connected markets."

The Government of Nepal's Nagarik App, meanwhile, isn't really competing for revenue at all. It has surpassed five million installations and now provides access to citizenship records, driving license details, vehicle registration, academic certificates and tax records. Its significance, several executives

argue, has little to do with what it currently offers directly. It is closer to what India built with Aadhaar, UPI and DigiLocker: government-owned digital identity infrastructure other companies build on top of. If it eventually opens secure APIs and eKYC services to private platforms, it could end up mattering more than any single wallet or ride-hailing app, simply by making every company's job of verifying a customer cheaper and faster.

How It Got Here

None of this arrived overnight. Sanjeev Subba, founder of Kathmandu Fintek, dates the real starting gun to a piece of hardware rather than an app: the shift from landlines to mobile phones around 2008. Before eSewa existed, Nepal had Hello Paisa, explicitly inspired by Kenya's M-Pesa. Nepal had no no formal digital financial infrastructure at the time, Subba says. What followed was a slow accumulation of specialized players rather than a single dominant winner: Khalti entered payments, Tootle emerged to monetize ride-sharing before Pathao arrived. Globally, Grab evolved from a straightforward ride-sharing app into a full super-app that "can identify existing riders and ask whether they need a new motorcycle, offering financing through EMI or loans," Subba notes, while China built an ecosystem tightly interconnected enough to let "the entire customer journey" happen digitally, end to end.

Nepal's own trajectory has been more halting, in Subba's account. Cash on delivery still dominates non-financial platforms like Pathao, Foodmandu and Daraz, in contrast to markets where payment happens automatically once a service is delivered. "We have largely remained in a status quo over the past several years," he argues. "We have not innovated enough." His sharpest observation is about what Nepal's platforms have actually become: "most of our platforms have become lifestyle products rather than transformative digital ecosystems."

Nepal has already run a version of the super-app experiment at scale. "Hamro Patro, for example, attempted to build a super app by integrating payments and multiple services into a single platform," Subba notes, an attempt not remembered as a triumph. His diagnosis is blunt: "innovation requires significant investment, and even today banks are reluctant to trust or finance innovative ideas."

The Seamless Experience That Isn't

For all the ecosystem-building, using these apps together remains stubbornly unglamorous. Book a ride on Pathao and try to pay through an NCHL-linked account, and a shaky connection can force a separate banking screen. "Consumers currently have to juggle multiple disconnected applications, which falls short of a seamless experience," stakeholders say.

Diwas Sapkota frames the same problem from the payments side. "Right now, payments are separate, ride-hailing is separate, and maps are separate," he says. He draws a distinction easy to miss: seamlessness doesn't require one



DIWAS SAPKOTA

Chief Executive Officer, Fonepay

Government support critical for growth

Nepal's digital platform economy has grown significantly over the past decade, with strong progress across digital payments, ride-hailing, and e-commerce. The ecosystem remains fragmented, though. Payments, mobility, and mapping services largely operate independently, limiting the seamless user experience seen in more mature digital markets. Compared with regional leaders like India and China, Nepal has made encouraging progress, but integration remains limited. The challenge is not simply population size but market penetration.

Integration does not necessarily require a single super app. Different applications should work seamlessly together instead. Ride-hailing and payment services, for example, should be integrated so users can complete transactions automatically without switching between apps or manually scanning QR codes.

Despite rapid growth, digital platforms face significant challenges. Infrastructure costs have risen sharply due to increasing hardware requirements and cybersecurity investment. At the same time, customers continue to expect free services, making it difficult to build sustainable revenue models. Digital lending is the next major growth opportunity, but progress is constrained by limited regulatory support, particularly around data access and privacy. Interoperability can improve consumer convenience, but businesses that have invested heavily in proprietary infrastructure also need incentives to keep innovating. Government support will be critical to the next phase of growth. Beyond regulation, we need greater investment in digital infrastructure, stronger internet connectivity, and supportive innovation policy. Fonepay's expanding network, connecting around 2 million merchants and introducing digital credit cards through partner banks, shows the potential of collaborative digital ecosystems. ■



NEELESH MAN SINGH PRADHAN
Chief Executive Officer, NCHL

Cybersecurity investment a must for Digital Platforms

Nepal's digital platform ecosystem has expanded rapidly, but users still face a fragmented experience. Consumers rely on multiple applications for payments, ride-hailing, banking, and e-commerce, often switching between platforms to complete a single transaction. The next phase of digital transformation is about creating a seamless, integrated experience.

Rather than a single super app, the focus should be interoperability through a common aggregation layer. Ride-hailing, banking, insurance, and e-commerce can continue operating independently while being connected through one interface, letting users reach multiple services without repeatedly switching apps.

Achieving this requires more than technology. Because multiple industries are involved, a clear legal and regulatory framework is essential to define responsibilities, protect consumer data, and govern transactions across sectors. Strong coordination between regulators, financial institutions, telecom operators, and technology companies will be critical.

NCHL plays a central role in Nepal's payment infrastructure, providing backend systems to banks, financial institutions, government agencies, and payment service providers. Through platforms such as connectIPS and the National Payment Switch, it supports 53 banks and more than 125 non-bank institutions, serving millions of users. As digital transactions grow by around 20 to 25 percent annually, cybersecurity and consumer awareness have become increasingly important. Robust security measures must be paired with stronger digital and financial literacy, since many fraud cases originate from phishing and other user-targeted scams. ■

super-app. India has no dominant super-app at all, and instead runs on well-integrated apps that hand off to each other invisibly. China built the super-app itself. Nepal, in his telling, has committed to neither. "Today that is not happening, and people still have to show QR codes, scan them, or resort to cash or manual wallet transfers."

Pradhan sees the fix as only partly technical. Aggregating a telecom app, an e-commerce platform and mobile banking into one experience is achievable with today's technology, but it collides with a regulatory structure where banking, insurance and e-commerce each answer to different, or no, authorities. "If something goes wrong with a customer's transaction or data, a clear legal basis is needed to determine who regulates and protects them," he says.

Bolting a new vertical onto an existing app has also proven far harder than any strategy slide suggests. Pathao Heli and Ghar Sewa were both meant to launch in March; setbacks pushed the helicopter service into late June, exactly the wrong month, since monsoon weather makes operators reluctant to fly. Ghar Sewa, the home-repair service, ran into a subtler mismatch: independent electricians and plumbers work scheduled routes on fixed days, while app customers expect someone within half an hour. "Bridging this expectation gap and ensuring a steady supply of skilled manpower remains a challenge," Thakali admits. Pathao Bazar's 30-minute grocery delivery faces its own arithmetic problem, margins thin enough that unit economics only work at very high volume.

eSewa's push into lending shows how much groundwork sits behind what looks, from outside, like a simple new "Loans" tab. Khanal is explicit that eSewa isn't trying to become a bank; it is collaborating with banks and financial institutions (BFIs), such as Goodwill Finance and Kumari Bank, for underwriting, rolling out "Easy Loan" first to merchants, with a public consumer launch planned for next fiscal year. "Fonepay essentially builds a technology engine used primarily by banks. In contrast, while we can utilize similar engines, our goal is to serve our millions of customers directly by making loans accessible with a single click," he says.

The Hurdles

Ask any executive what actually slows them down, and answers converge on problems no engineering can solve alone, because they live outside the app entirely. The most repeated complaint is the most mundane: Nepal has no proper street-addressing system. "Even with mapping technology helping riders reach a general vicinity, the absence of standardized street numbering and house numbers means riders still have to make phone calls to locate exact customer doorsteps," Adhikari says. Thakali describes the identical problem costing Pathao money and time despite having "collected millions of points of interest over the years." "True resolution requires foundational government infrastructure, such as proper postal services and building numbering, which private companies alone cannot solve," he adds, a complaint

Bista echoes almost exactly from the e-commerce side.

Infrastructure gaps compound the problem the further one travels from Kathmandu. Khanal recalls visiting a village in Taplejung, where coverage drops to basic 2G with no data connection. "In such situations, users rely on SMS-based modes provided by eSewa for basic top-ups," he says. Pradhan makes the broader point plainly: digital transactions "ultimately ride on telecommunication infrastructure just as cars rely on roads." Sapkota, notably, pushes back on the idea that rural Nepal is ignored: payment data shows rural presence is actually quite active due to years of organic growth.

Regulation adds a second, entirely different kind of friction. Thakali points to Ride Sharing Regulations in Gandaki Province that bars riders under 18, even though the government itself issues driving licenses to sixteen-year-olds, alongside "displacement rules favoring engines above 125cc or 150cc while ignoring smaller scooters already permitted on the road." He also flags a tax anomaly: ordinary taxis are exempt from value-added tax (VAT) while ride-hailing carries a 5 percent charge, nudging transactions back toward untraceable cash. "While developed nations often allow innovations to operate freely first and introduce regulations afterward, bureaucratic approaches in Nepal often tend toward prohibition and heavy regulation from the outset," he says.

Labor law presents its own mismatch. Adhikari points out that mandatory Social Security Fund contributions, designed for permanent employees, sit awkwardly with a gig workforce that experiences the deduction as "a deduction from their immediate earnings rather than a long-term benefit." Regulators, he adds, still evaluate platform businesses "through a traditional accounting lens," and Nepal's recent E-commerce Act largely "mirrors consumer protection acts rather than addressing the unique commercial, tax, and operational realities of digital platforms." Luitel makes a related case from Daraz's side: "as e-commerce and the broader digital economy are still at an early stage in Nepal, there is an opportunity to review existing policies and introduce new frameworks where needed," with "continued dialogue between policymakers and industry stakeholders" important as the sector evolves.

A quieter dispute plays out over interoperability, the idea, popular with regulators, that every payment method should work everywhere. Sapkota pushes back on the assumption that forced interoperability automatically helps consumers, describing new entrants who want instant access as reaping the benefits without sharing the initial burden. "Interoperability should not be used to bypass fundamental business environments and investments," he argues, a rare instance of a platform executive arguing for less integration rather than more.

Government investment, or the lack of it, is another recurring theme. Sapkota compares Nepal directly to India, where the government funds the National Payments Corporation of India



MARK TOLLEY

Asia-Pacific Regional Director, inDrive

Expansion depends on local demand

inDrive sees its long-term future in Nepal as extending beyond ride-hailing while remaining firmly rooted in mobility. Rather than competing through discounts alone, we focus on creating value through fairness, transparency, and user choice. Our peer-to-peer pricing model, which lets passengers and drivers negotiate fares, remains a key differentiator.

Globally, inDrive has expanded into courier delivery, freight, and intercity transportation, all of which we see as having strong long-term potential in Nepal. Intercity travel can make journeys between Kathmandu and other major cities more affordable and convenient, while courier and freight services can support Nepal's growing e-commerce sector and improve logistics for small and medium-sized businesses. Any expansion will depend on local demand, regulatory readiness, and operational sustainability.

We follow a disciplined approach to diversification, entering adjacent businesses only when they solve genuine user problems and align with our mission. Artificial intelligence already supports fraud detection, route optimization, demand forecasting, customer support, and driver-passenger matching. We expect AI to play a larger role ahead in predictive logistics, personalized services, and safety, while keeping transparency and user choice central.

Rather than measuring success by downloads alone, inDrive prioritizes active users, repeat ride frequency, ride completion rates, driver retention, customer satisfaction, and marketplace balance. We also see strong potential in integrating with Nepal's emerging digital public infrastructure, such as digital identity systems, to simplify verification and strengthen safety, provided privacy and data protection remain central. ■



SANJEEV SUBBA
Founder, Kathmandu Fintek

Nepal is yet to monetize its platform ecosystem

Nepal's platform economy began taking shape around 2008 with the shift from landlines to mobile phones. Early innovations such as Hello Paisa, inspired by Kenya's M-Pesa, enabled money transfers even on feature phones and laid the foundation for the country's fintech growth. eSewa, Khalti, Tootle, Pathao, and Foodmandu followed, reflecting the rapid expansion of Nepal's digital economy.

Despite this progress, Nepal has yet to fully monetize its platform ecosystem. Cash on delivery remains the dominant payment method across e-commerce and delivery platforms, while digital payments often still require users to manually scan QR codes or initiate transfers. Unlike mature markets such as China, where payments and services are seamlessly integrated, Nepal's digital platforms largely operate independently, limiting the overall customer experience.

A key challenge is the lack of interconnected ecosystems. Mature platforms integrate payments, mobility, commerce, and financial products into a single user journey. Nepal has the technological capability to move in this direction, but innovation has been constrained by limited investment, fragmented platforms, and banks' reluctance to finance high-risk technology ventures.

Building a stronger platform economy will require collaboration among businesses, financial institutions, and government. Developing Digital Public Infrastructure, expanding digital identity through the National ID system and eKYC, introducing robust consent management and data protection frameworks, and creating effective credit-scoring systems would provide the foundation for future innovation. Nepal also needs a stronger venture capital ecosystem. Beyond domestic investment, the Nepali diaspora could become an important source of funding for innovative startups. ■

with thousands of crores annually to drive UPI growth. "In Nepal, however, the government mostly focuses on making rules rather than investing in the actual digital ecosystem," he says. Subba argues the deepest structural hurdle is financial rather than legal: Nepali banks remain reluctant to fund unproven ventures, and the venture-capital ecosystem is too thin to let ambitious platforms raise scale-up capital. "One possible solution is to better connect with the Nepali diaspora, which can become an important source of investment," he suggests.

Where the Real Opportunity Sits

Nobody in this industry sounds like they think the growth story is over. Khanal is unambiguous: "Our transaction counts have nearly doubled compared to last year, proving that we are far from saturation." Adhikari's numbers make a similar case, Foodmandu's daily order volume has climbed from five orders a day to four or five thousand.

The consensus picks for what comes next is lending. Sapkota calls it "the next logical step," and Khanal describes eSewa's plan to make micro-loans accessible with a single click through multiple partner BFIs rather than a single lender. The catch, both Sapkota and Subba note, is that Nepal still lacks the plumbing lending at scale requires: a mature credit-scoring model, clear data-sharing rules, and policy support for automated underwriting. "Whenever we try to initiate something, we are blocked by the absence of supportive policies, especially regarding privacy and data collection," Sapkota says.

Subba frames the lending gap as a data problem. Nepal "also lacks a mature credit-scoring model," and once one exists, platforms could become channels for extending credit rather than merely referring customers to a bank. That, he argues, is inseparable from a bigger unfinished project: Digital Public Infrastructure (DPI). "Data exists throughout a person's life, from birth until death. There must be clear rules governing who can access what data and for what purpose. That is why Nepal needs DPI, and the government must take responsibility for building it. DPI is fundamentally a strategic initiative, not rocket science. What is really needed is the right mindset."

There is momentum in products already live. NCHL has rolled out Nepal Pay cards, working internationally in India and Bhutan, and paired it with early cross-border infrastructure letting Nepalis with dollar accounts scan local QR codes in Sri Lanka through select Nepali bank to pay directly through connectIPS. Pradhan also flags automated recurring payments, debit mandates settling insurance premiums or utility bills, as a near-term win, provided utilities are equally ready to adopt them.

There is also opportunity in sectors barely touched. Khanal keeps returning to public transportation: "boarding a bus often forces people to carry cash," he notes. "We always say that our biggest competitor is not another wallet, but cash

itself," which, by his estimate, still accounts for more than half of all transactions in Nepal despite falling sharply since the pandemic. On the e-commerce side, Luitel sees the opening differently: he expects platforms that "consistently deliver trust, efficiency, and value" to lead the next phase, especially as competition from social commerce and cross-border sellers accelerates innovation rather than eroding Daraz's core strengths of "trusted sellers, authentic products, secure payments, reliable logistics, and customer protection."

Can Nepal Actually Build a Super-App?

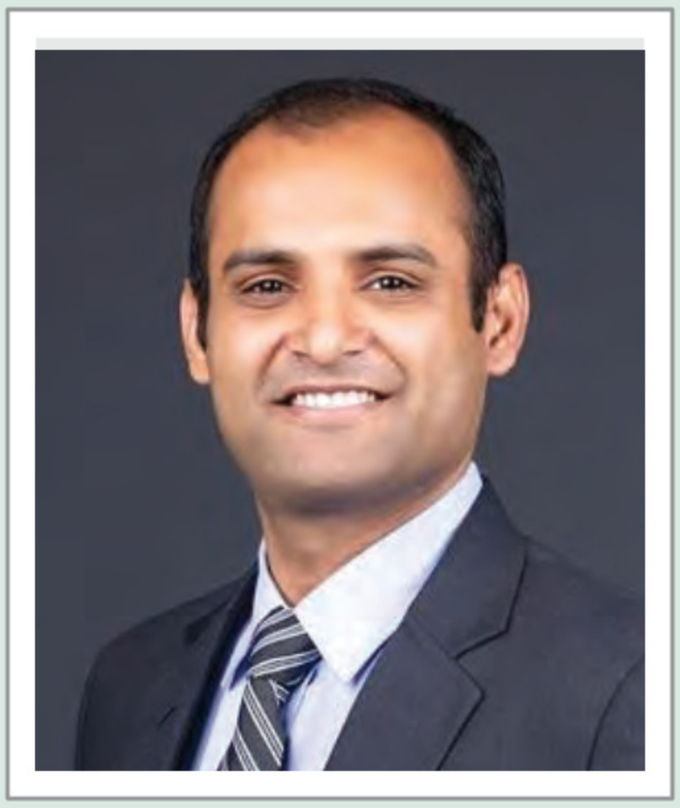
Every one of these executives gets asked this, and their answers cluster around a careful, qualified "sort of." Khanal is the most direct about the ambition: "we are certainly moving in that direction. We are transitioning from a pure payment gateway into a lifestyle platform." But he frames eSewa's version as an aggregator of third-party services rather than a company running ride-hailing or food delivery itself. Pradhan makes a near-identical distinction from the infrastructure side: consumer expectations for a single, all-purpose app are reasonable, but "the underlying actual service delivery cannot be handled by just a single entity."

Sapkota is the most skeptical that Nepal will follow China's model, for a structural reason: China's super-apps grew inside a market large enough, and regulated tightly enough end-to-end, to let one platform integrate everything. Nepal's economy doesn't offer that scale, and its regulation deliberately keeps banks, wallets and payment operators in separate lanes. "The super app concept is massive in China, whereas India does not rely on a super app model at all," he notes, arguing Nepal's likelier path resembles India's web of tightly integrated but separate apps.

The wider market structure points the same way. Nepal lacks a dominant e-commerce anchor of the kind that let Chinese super-apps expand outward, its banking sector is unusually competitive and resistant to consolidation, and no telecom operator has the market power to become a platform in its own right. The likelier outcome is not a single winner but several deep, specialized ecosystems, a payments giant, a mobility giant, an attention giant, a shopping giant, a travel giant, that increasingly hand customers off to each other. The sector's own disclosures reinforce this: the four regulated payment companies with public numbers together generated roughly Rs 26.67 billion in operating revenue in FY 2024/25, yet their profitability could hardly diverge more. NCHL and Fonepay posted net margins above 30 percent, while eSewa converted just 2.1 percent of revenue to profit and Khalti by IME barely 0.05 percent. Scale and margin currently belong to different kinds of companies, and nobody interviewed here expects that to resolve into one winner-take-all outcome soon.

Security Becomes the Product

If there is a subject every executive raises unprompted, it is trust, and increasingly, the threats to it. Sapkota puts the



RATISH LUITEL
Chief Commercial Officer, Daraz Nepal

Review needed in existing policies

Nepal's platform economy is firmly in a growth phase, but it is becoming increasingly sophisticated. Consumers are more comfortable with online shopping and digital payments than a few years ago, while more businesses are embracing digital channels to reach customers nationwide. The next phase of growth will be driven by the quality and experience platforms provide, including reliable fulfilment, trusted products, secure payments, and responsive customer service.

Nepal's geography remains a significant structural challenge. Mountainous terrain, uneven road connectivity and the cost of serving dispersed communities make nationwide fulfillment complex. Digital payment adoption has progressed, but access and confidence remain uneven. Consumer confidence must be reinforced through authentic products, transparent pricing, dependable delivery, and effective returns. Addressing these constraints requires coordinated progress across physical infrastructure, broadband connectivity, financial inclusion, digital literacy, and consumer protection.

Daraz has helped lower the barriers to digital entrepreneurship by giving businesses access to technology, nationwide logistics, digital payments, and a large customer base. Through initiatives such as Daraz University, we equip sellers with the knowledge, tools and resources needed to grow their businesses. Our logistics network, DEX, has expanded market access by connecting sellers with customers across Nepal.

As e-commerce is at an early stage in Nepal, there is an opportunity to review existing policies and introduce new frameworks. A clear and balanced regulatory environment, supported by digital infrastructure and consumer safeguards, can help encourage responsible growth. ■

stakes starkly: "trust is our biggest asset, and if customers lose that trust even once, the payment system will completely collapse," which is why Fonepay spends what he estimates at thirty to forty percent of its total budget purely on security. Khanal points to a newer, more unsettling category of risk on top of the usual phishing: "rising fraud trends amplified by sophisticated AI tools like hyper-realistic deepfake videos" mean that "individual companies cannot tackle security in isolation; it requires a collective, ecosystem-wide effort."

Sapkota goes further, arguing that the missing piece is not better fraud detection inside any single app but a national digital identity that follows a person across every bank and platform they touch. Right now, he says, a fraud victim can drain an account at one bank and move the money through others that have no shared way of flagging the pattern, since Nepal's banks are not connected through any common digital profile. He points to a troubling consequence of that gap: some people involved in digital fraud simply leave the country afterward, because there is no unified identity record tying their transactions together across institutions or linking that record to immigration checkpoints. In his view, building that digital profile is squarely the government's job, not any one company's, and it should be wired into immigration systems as well as banking ones, so that someone flagged for a fraudulent transaction cannot simply board a flight out before the case is resolved. Without that link between financial identity and border control, he argues, enforcement will keep lagging a step behind the crime.

Pradhan, whose infrastructure links millions of bank accounts, describes a system of deliberately uneven security, different authentication friction for someone who transacts once a month versus daily, because "applying the exact same security level to everyone does not make sense." But he is blunt that institutional security can't compensate for a careless click: "system-level security alone cannot protect a user whose phone or account has already been compromised through careless link clicking." "Unlike a social media post that can be edited, real-time digital financial transactions are irreversible once executed," he warns.

The economics behind this spending are unglamorous but telling. Sapkota notes that infrastructure and hardware costs industry-wide have roughly doubled in the past year, driven partly by AI compute demands, even as many Nepali users still expect digital payments to be free. "Revenues are not fully unlocked because much of the market expects things to be free, and imposing fees suddenly creates a major backlash," he says. eSewa alone maintains a dedicated team of around 100 engineers working on system security, according to Khanal.

What Comes After Payments

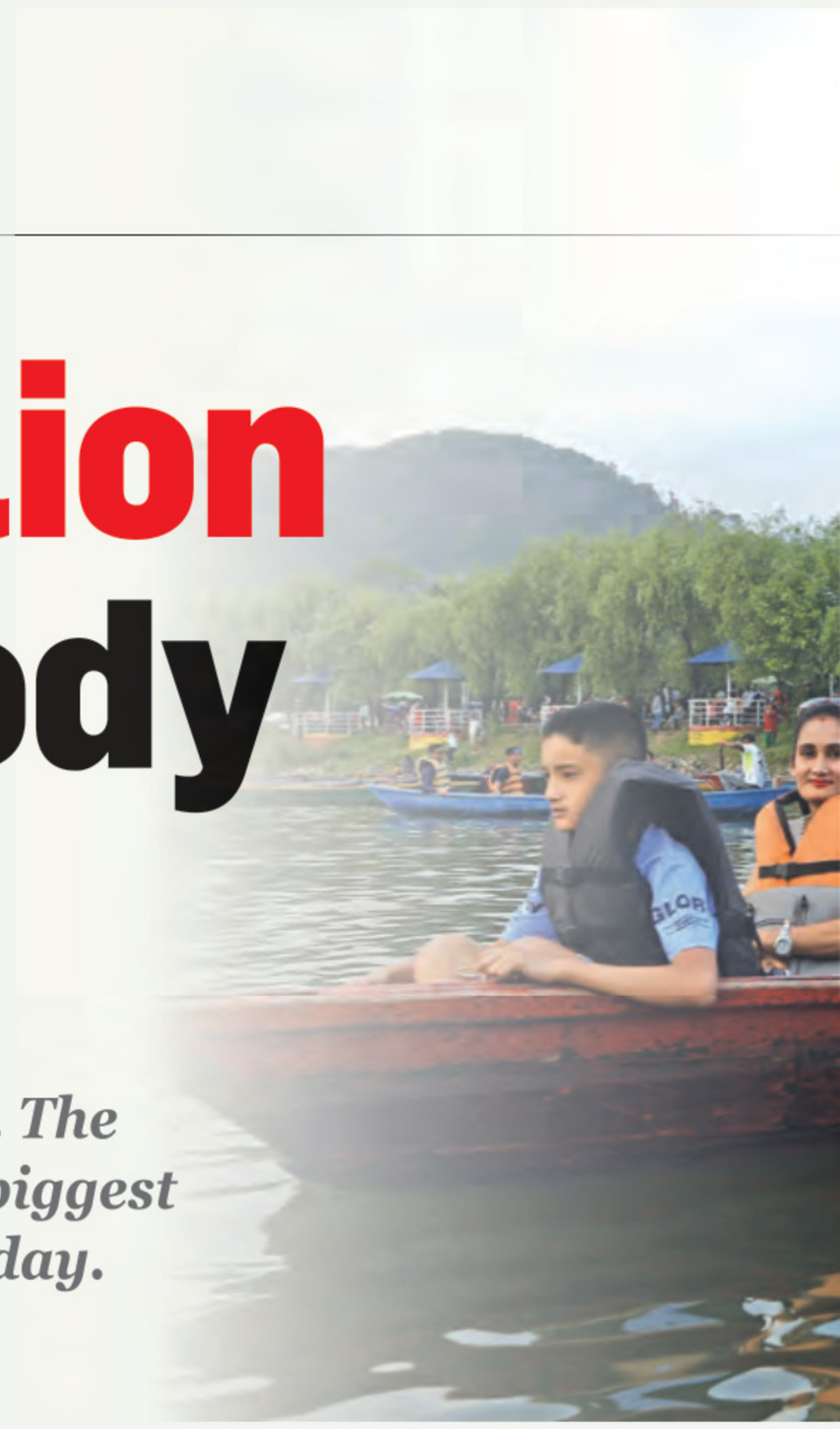
Ask where the next five years of competition will actually be fought, and a common thread emerges: not in new consumer features, but in the connective tissue underneath them, identity, data, and AI layered on top of both. Tolley's caution about AI at inDrive (fraud detection, route optimization, smarter matching, "an enabler rather than a replacement for human-centered decision-making") is echoed by Sapkota, who expects something similar to eventually reshape Fonepay's products, though "these will take time to fully materialize." The restraint in both answers is notable in an industry that could easily overpromise on AI.

The more consequential frontier, by every account, is embedded finance built on trusted digital identity. Pradhan's connectIPS, Sapkota's Fonepay, and Khanal's eSewa are all racing toward the same destination: a Nepal where a bank account, a verified identity, and a credit history travel with a customer across whichever app they use that day, rather than staying locked inside one institution's walls. "Account management should be flexible enough to let users access their funds through whichever interface is most convenient," Sapkota argues, pushing back against app-centric thinking among Nepal's banks, the idea that "if a specific bank's app goes down, a customer cannot access their account at all." Subba frames the destination even more plainly: Nepal already has a National ID system advanced enough to support electronic KYC, and diaspora capital sitting outside a thin venture ecosystem, the ingredients for a genuine leap forward exist. What's missing, in his assessment, is not capability but decision-making.

Even how success gets measured is quietly shifting. Tolley says inDrive has stopped treating downloads as a meaningful scoreboard: "downloads are only the beginning of the customer journey." It is a philosophy every executive interviewed here would likely recognize, even if they measure it in loan repayments or merchant reorders rather than rides. The number that matters is not how many people installed the app once, but how many keep coming back without being asked. Looking toward 2030, Luitel frames Daraz's own version of that ambition in similarly patient terms: "we envision Nepal's platform economy becoming a key driver of inclusive economic growth, connecting businesses and consumers across every part of the country," with the company continuing to invest in "technology, logistics, seller development, payments and customer experience" as a long-term partner to government and financial institutions rather than a company chasing a single metric.

That, more than any single product launch, may be the real story of Nepal's platform economy in 2026: the technology has largely arrived ahead of the institutions meant to support it. The apps on a typical Kathmandu commuter's phone already do most of what a super-app promises. What still lags, a national address system, an interoperable identity layer linked across banks and borders, financing tools that trust unproven ideas, regulation calibrated for gig work rather than legacy employment, sits outside any one company's control, and inside the country's, waiting to be built. ■

The Rs 400 billion Economy Nobody Was Counting



Nepal just measured domestic tourism for the first time. The numbers say Nepalis, not foreigners, are the country's biggest and steadiest travelers, and most of them aren't on holiday.

■ Pawan Pandey

For decades, Nepal's tourism story has come down to one number: how many foreign visitors arrived. Every year brings a fresh round of figures on international arrivals, trekking permits, hotel occupancy, and foreign exchange earnings, and every year success gets measured the same way, by how many people fly into Kathmandu or trek to Everest Base Camp.

Underneath that familiar economy sits a much bigger one that policymakers and investors have mostly missed: a market built not by foreign travelers but by Nepalis themselves, and one that has stayed largely invisible simply because no one had measured it.

Nepal's first Domestic Tourism Survey, covering FY 2024/25, changes that. For the first time, the National Statistics Office (NSO) has systematically measured how Nepalis travel within their own country: why they go, how much they spend, and what that spending adds up to for the national economy. The findings challenge assumptions that have shaped Nepal's tourism policy for decades.

Counting What Hotels Miss

The survey itself was a deliberate break from how Nepal has always counted tourism. Enumerators visited 5,328 households across 444 sampling units in all seven provinces, covering both urban and rural areas, using the internationally recognized Tourism Satellite Account (TSA) framework and the International Recommendations for Tourism Statistics.

"This was our first survey of its kind," says Dr Jishnu Mohan Bhattarai, director at NSO's National Account Statistics Division. "It took considerable time to design the questionnaire and prepare the methodology. Now that we have established a baseline, we aim to measure domestic, outbound and inbound tourism within the same fiscal year in the future."

The choice to survey households, rather than hotels, was deliberate. Nepal's conventional tourism statistics lean on occupancy data and visitor registrations, which miss anyone who doesn't check into a hotel. Bhattarai points to the obvious gap: someone who travels to Pokhara for a relative's wedding and stays with family for two nights spends money on transport, food, and gifts along the way, but that spending never shows up in a hotel ledger. Visiting friends and relatives, it turns out, is the single largest reason Nepalis travel. A household survey was the only way to capture it.

The number, and what it doesn't include

Domestic visitor consumption reached Rs 407.17 billion in FY 2024/25, generating Rs 144.5 billion in tourism gross value added, or 2.65 percent of GDP (calculated against GDP at basic price of Rs 5,454.4 billion). Overnight visitors accounted for Rs 314.41 billion of that spending, same-day excursionists the remaining Rs 92.76 billion.

Bhattarai is careful about what the 2.65 percent figure actually represents. "The 2.65 percent contribution refers only to spending by residents traveling within Nepal," he says. "It does not include Nepalis traveling abroad." Outbound travel, mostly shopping trips across the border into India, added a further Rs 63.64 billion in spending, bringing total resident tourism expenditure, domestic and outbound combined, to roughly Rs 459.5 billion for the year.

Bijay Amatya, CEO of Kathmandu-based Kora Tours, draws the line between the two categories in plainer terms. "When





someone from Kathmandu spends money in Pokhara, it creates jobs and income in Pokhara, but it does not bring new money into Nepal," he says. "Foreign tourists, on the other hand, bring fresh foreign currency into the economy." That distinction doesn't make domestic tourism less important; he adds. It just makes it a different kind of economic activity: one that circulates money rather than importing it, keeping hotels, restaurants, transport operators and local vendors in business, and generating tax revenue along the way.

Necessity, not leisure

Of Nepal's 6.91 million households, 3.62 million, or 52.4 percent, took at least one tourism trip during the reference year. That's a majority of the country, but the reason they traveled will surprise anyone expecting a nation of vacationers.

Visiting friends and relatives accounted for 65.6 percent of all overnight trips, by far the largest category. Same-day travel skewed toward shopping, at 32.6 percent, followed by health treatment and family visits, each around 20 percent. Business and professional travel was the most frequent activity of all, averaging nearly seven trips a year per traveler. Holidays and leisure came last.

Health travel deserves its own line. It generated the highest average spend per overnight trip, at Rs 23,516, more than any other category except religious travel. That figure reflects something structural about Nepal: specialist care is concentrated in a handful of cities, so a medical trip to Kathmandu, Bharatpur, or Dharan brings a patient, often a family member accompanying them, and days of accommodation, food, and follow-up visits. It's tourism spending that has nothing to do with tourism as Nepal usually talks about it.

Public transport carried nearly 69 percent of all domestic trips, underlining how much of this economy runs on buses rather than private cars or flights.

Seven markets, not one

National averages flatten a country where travel behavior looks completely different depending on the province. Break the data down regionally and a much sharper picture emerges, one that daily coverage of the survey mostly skipped.

Gandaki, home to Pokhara, is Nepal's most active domestic leisure market. It records the highest trip frequency in the country, 6.26 overnight trips per traveler against a national average of 4.81, helped by strong road connectivity and an established tourism product. This is the one province where Nepalis are already traveling the way tourists from other countries typically do: repeat visits, shorter breaks, recreational purpose.

Sudurpaschim is the opposite case. It has the longest average stay in the country, 8.18 days, but the lowest trip frequency, at 3.32. Long distances and thinner transport links mean people don't travel there often, but when they do, usually to visit family or attend festivals, they stay a while. For local businesses, that translates into demand concentrated in short peak windows rather than steady year-round traffic.

Madhesh runs on short-distance, commerce-driven travel. It has the shortest average overnight stay nationally, at 3.17 days, and its position along the Indian border shapes a travel economy built around shopping and cross-border trade

rather than scenery.

Bagmati, anchored by Kathmandu, functions as the country's multi-purpose hub. It leads nationally in business travel (43.9 percent share), health and medical travel (43.8 percent), education (43.1 percent), and shopping (35.5 percent). Government offices, university admissions, and specialist hospitals generate demand that doesn't depend on season, which makes Kathmandu one of the most stable travel markets in the country, built less on hotel beds than on transport, restaurants, pharmacies, and conference venues.

At the district level, Kaski (Pokhara) holds the clearest identity as Nepal's leisure destination, leading in holidays and recreation at 22.2 percent. Chitwan sits second across several categories, serving as a dependable secondary hub for both leisure and essential travel. The three don't compete for the same traveler. Kathmandu sells convenience, Chitwan sells accessibility, Pokhara sells experience, and each already has the data to prove it.

A younger, and possibly changing, traveler

Generation Z (ages 13 to 28) makes up the largest share of tourist households, at 26.6 percent, followed by Generation Alpha and Beta (22.6 percent) and Millennials (22 percent). Travel frequency tracks age closely: Generation Alpha and Gen Z average around 4.2 and 4.1 overnight trips a year respectively, dropping steadily through Gen X and Baby Boomers to just 2.45 trips among the oldest generation surveyed.

Amatya sees this as consistent with patterns elsewhere. "Around the world, domestic tourism is always much larger than international tourism," he says. In Nepal's case, he traces the growth further back, to the Maoist insurgency years, when falling international arrivals pushed Nepalis to travel more within the country, and again after the Covid-19 pandemic, when travel restrictions eased and people looked for destinations closer to home. Whether a generation raised on mobile payments and social media travels the same way their parents did, for family visits and treatment rather than leisure, is the one open question the survey doesn't answer. It's also the one worth watching in the next round of data.

What the survey means for business and policy

Nearly half of Nepal's households, 47.6 percent, took no tourism trips at all in the reference year. The survey doesn't say why. Cost, access, or simply the absence of nearby destinations could all be factors, and any explanation beyond that is speculation rather than data. But the gap itself is the more useful headline for anyone in hospitality, transport, or regional development: a market this large that hasn't started traveling yet is a bigger opportunity than another percentage point of foreign arrivals.

The report's 48 policy recommendations lean heavily on infrastructure and access rather than marketing campaigns.

WHY NEPALIS TRAVEL

Purpose	Same-day trips	Overnight trips
Visiting friends, relatives and social	20.1%	65.5%
Health treatment	20.1%	13.7%
Shopping	32.6%	0.8%
Entertainment, tour and vacation	16.1%	3.2%
Religious	3.9%	7.6%
Professional / business	4.0%	5.5%
Education and training	1.1%	2.4%

Better road connectivity to secondary destinations, upgraded public transport, expanded regional air service, tax incentives for hotel renovation, and support for homestays all feature prominently. A few recommendations look toward newer travel segments: Muslim-friendly tourism facilities, dedicated MICE (meetings, incentives, conferences and exhibitions) venues, and greater use of platforms like TikTok for destination marketing.

Amatya frames the gap in the plainest terms. "The first priority is to introduce destinations to people," he says. "People need to know what attractions a place offers, how to get there and where they can stay." He argues that promotion needs to go beyond scenic photography to cover practical information: road conditions, weather, safety advisories. "If a destination is in the mountains, travelers should know about possible landslides. They should receive reliable information before setting out." Road quality, in his view, is the deciding factor: "Domestic tourism has grown wherever roads are good. Places without proper roads continue to struggle."

The bigger picture

None of this displaces the case for international tourism, which still earns foreign exchange, fills flights, and sustains destinations built around a global brand Nepal has spent decades cultivating. But the survey makes a case that Nepal's tourism policy has been measuring only half the picture. A Rs 400 billion market that runs on bus tickets and hospital visits rather than trekking permits and hotel nights doesn't show up in the numbers that usually make headlines, which is exactly why it took a household survey, not another arrivals count, to find it. ■

High above the terraced hills of Kailali, workers are erecting towers that will soon carry passengers 3.1 kilometres between Chisapani and Rajkanda, a route set to become Nepal's longest operational cable car. In Kalinchowk, buses carrying thousands of pilgrims inch up steep mountain roads as devotees make their way to the Bhagwati temple.

Near the birthplace of the Buddha, Austrian engineered gondolas glide above forests and rice fields, transporting thousands of visitors each day to hilltop shrines. In Pokhara, meanwhile, a nine-minute cable car ride has replaced what was once a long, winding pre-dawn drive to Sarangkot for sunrise. Taken individually, these projects serve different markets. Together, they illustrate how Nepal's cable car industry is undergoing one of the biggest transformations in the country's tourism sector.

Nearly three decades after the Manakamana Cable Car began operation, Nepal's ropeway network has expanded across pilgrimage, leisure and adventure destinations. At least a dozen operating, under construction and planned projects now stretch across the country, linking religious sites, tourist attractions and mountain landscapes into what developers increasingly describe as an emerging national cable car circuit.

The first generation of cable cars was built primarily to shorten difficult pilgrimages. The new generation is being designed around a much broader commercial model. Chandragiri combines a ropeway with a temple, a five-star resort, restaurants, conference facilities and event tourism. Maulakali and Lumbini are following similar models, linking religious destinations with hotels and leisure facilities. Bandipur is expanding into adventure tourism, while Annapurna Cable Car has integrated temples, viewing decks, giant swings and sky cycling into its upper station. Future projects are even more ambitious. Jalpa Devi in Kailali is being developed with hotels, a casino, banquet facilities, a resort, a skywalk and walking trails. The planned Sikles Kori project in Kaski is expected to combine a cable car with Nepal's first mountain ski resort.

The shift reflects a broader transformation in the industry. Cable cars are no longer being developed simply as transport infrastructure. They are becoming anchor investments around which developers hope to build complete tourism destinations capable of attracting visitors, extending their stays and stimulating wider local economies.

From Religious Devotion to Full Blown Hospitality

Nepal's cable car industry was born out of religious tourism. "The Manakamana Cable Car project started with a heavy investment driven primarily by religious tourism, and it proved to be an immense success," says Ashok Siwakoti, Executive Director of Kalinchowk Cable Car. "Over time, this evolved to embrace general tourism and hospitality."

That evolution is perhaps most visible at Chandragiri Hills, only 16 kilometres southwest of Kathmandu. Visitors board Swiss engineered gondolas at Thankot before ascending to an elevation of 2,551 metres through dense forest. At the summit sits the Bhaleshwor Mahadev Temple, one of the valley's best known pilgrimage sites, alongside viewing decks overlooking Kathmandu Valley and, on clear days, mountain ranges stretching from Langtang to Annapurna and even Everest.

Unlike Nepal's earliest cable car projects, however, the attraction no longer ends with the ride. The hilltop also features a five-star resort, restaurants, conference facilities and landscaped public spaces. Weddings, corporate events and weekend holidays have become as important to the business model as religious tourism itself.

Siwakoti says that combination of faith and hospitality has become the industry's defining characteristic.

Not every destination follows the same formula. At Kalinchowk, Siwakoti says religious devotion remains the overwhelming driver of demand despite the area's spectacular alpine scenery.

"The area boasts breathtaking alpine landscapes reminiscent of Switzerland, complete with yak pastures and majestic Himalayan views," he says. "But the overwhelming driver of visitors is not nature or leisure tourism, rather deep-rooted religious devotion."

He points to the month of Jestha, which coincided with Purushottam Masa, as an example. Visitor numbers climbed to between 30,000 and 35,000 during the month. Of those, only around 4,000 to 5,000 travelled primarily for leisure. "The influx was overwhelmingly propelled by the sacred presence of the Kalinchowk Bhagwati Temple," he says.

Even so, the economic benefits extend well beyond the temple itself. Hotels remain busy regardless of whether visitors come for pilgrimage or recreation, while restaurants, transport operators and local businesses all benefit from higher tourist spending.

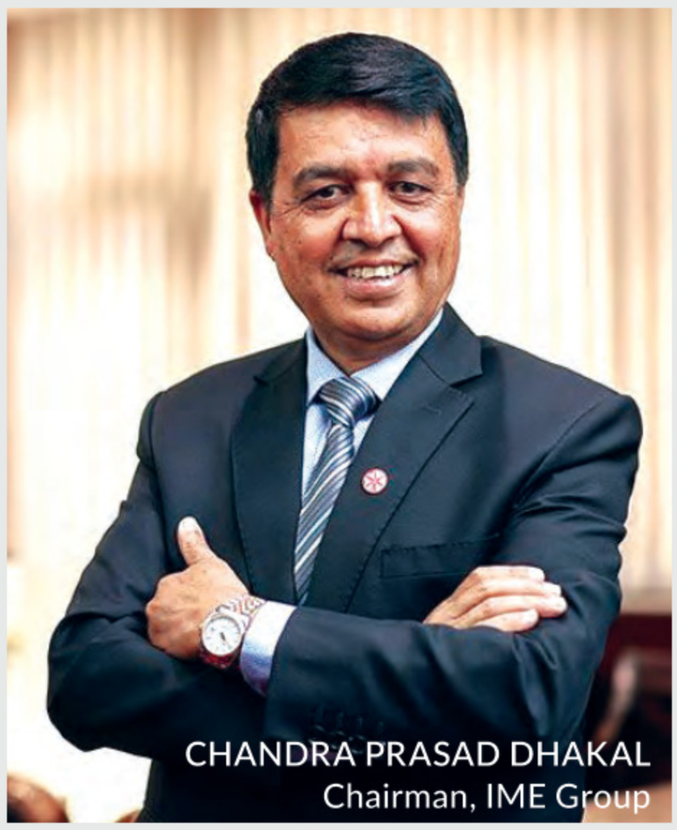
Dr Roman Man Shrestha, Chief Executive Officer of Bandipur Cable Car, believes Nepal's cable car industry has entered an entirely new phase. "Earlier cable cars primarily served transportation purposes, while projects such as Manakamana were strongly associated with religious tourism," he says. "Today, cable cars have become integral to tourism development itself."

Bandipur reflects that changing strategy. Rather than relying solely on its ropeway, the project is positioning itself as a broader tourism destination built around culture, nature and adventure. Developers are adding an 80-foot Adiyogi statue, expanding adventure activities and integrating the cable car with the town's established heritage tourism.

"We Are Building Tourism Destinations, Not Just Cable Cars"

Q. How many cable car projects are currently operational, and how many are under construction?

A. Three of our projects are already in operation: Chandragiri, Maulakalika and Lumbini (Butwal). Jalpa Devi Cable Car at Karnali Chisapani in Kailali is in its final stage of construction and is expected to open within a month. Stretching 3.1 kilometres from near the Karnali Chisapani Bridge to Rajkanda, it will become Nepal's longest operational cable car. Pathibhara Cable Car in Taplejung is also progressing well. Most of the equipment has been ordered, much of it has already arrived, and work on the towers and lower station is well advanced. We are targeting completion by December, meaning both Jalpa Devi and Pathibhara should be operational by the end of the year.



CHANDRA PRASAD DHAKAL
Chairman, IME Group

Q. Do all your cable car projects follow the same model, with a resort or hotel at the top station?

A. No. Each project is designed according to the geography and local tourism potential. Chandragiri and Maulakalika have hotels at the top station, and we are building one at Lumbini as well. Other projects focus solely on the cable car system. Sikles will be different. It will combine a cable car with a ski resort. Our broader vision is to create at least one premier tourism destination like Chandragiri in every province. These projects generate local employment, create markets for agricultural products and handicrafts, and encourage investment in hotels, restaurants and other businesses.

Q. What is the investment in those projects? Which project has required the largest investment?

A. Including the five-star hotel, Chandragiri is our biggest investment. Excluding hotels, Jalpa Devi and Pathibhara are the largest standalone cable car projects. The cable car system and core infrastructure alone cost around NPR 3 billion each. We use world class technology without compromising on quality. At Jalpa Devi, for example, we have built a temple inspired by Chandragiri and developed a "Great Wall" style walking trail stretching more than a kilometre using black stone sourced from Baglung and Darchula. These investments are part of a long-term tourism strategy. Nepal's average tourist stays for only 12 to 13 days. My vision is to create a destination in every province where visitors spend at least two days. That alone could extend the average stay to 25 to 27 days, bringing enormous benefits to the tourism industry and the wider economy. Around 30 to 40 percent of Chandragiri's visitors are Indians, and it has become a popular wedding destination. At Lumbini, Indian visitors account for more than 60 percent of arrivals. We expect both Pathibhara and Jalpa Devi to draw significant numbers of Indian visitors, boosting tourism in Koshi and Sudurpashchim provinces.

Q. How is the Sikles project different?

A. The Sikles Kori Cable Car will stretch 6.5 kilometres and include an intermediate station. At an elevation of about 3,900 metres, the site receives natural snowfall for four to five months each year. Artificial snow will allow skiing beyond the winter season, making it a unique tourism destination not only for Nepal but for South Asia. ■

"By combining religious attractions with adventure, culture and nature," Shrestha says, "destinations can appeal to a much broader range of visitors."

For Chandra Dhakal, Chairman of IME Group, Nepal's largest private cable car developer, that evolution extends far beyond individual projects. Three IME promoted cable cars, Chandragiri, Maulakali and Lumbini, are already in operation. Jalpa Devi in Kailali is expected to open within weeks as Nepal's longest operational cable car at 3.1 kilometres, while Pathibhara in Taplejung is targeted for completion by December. Together they will increase the group's operating portfolio to five cable cars.

IME is also advancing the Sikles Kori project in Kaski, where it plans to combine a ropeway with what is intended to become South Asia's first large scale mountain ski resort. The same pattern can already be seen across Nepal's newer cable car destinations. At Maulakali in Nawalparasi, pilgrims visiting the hilltop temple now find restaurants, landscaped resting areas, shops selling local products and a boutique resort overlooking the Narayani River.

Lumbini Cable Car similarly combines pilgrimage with hospitality. The 2.65 kilometre ropeway carries visitors from the plains to the shrines of Maa Kamakhaya and Maa Durga, while restaurants, recreational facilities and visitor amenities encourage travellers to spend more time at the destination rather than treating the cable car simply as transport. Across the industry, the business model is steadily shifting from moving passengers to creating destinations.

A New Mode of Transportation

Even as developers transform cable cars into tourism destinations, the industry has not abandoned its original purpose. In many parts of Nepal, cable cars continue to solve a basic problem, connecting communities separated by steep terrain where road travel remains slow, difficult or unreliable. "Given

Nepal's mountainous geography, cable cars have become an important mode of transportation as well as a tourism product," says Dr Roman Man Shrestha.

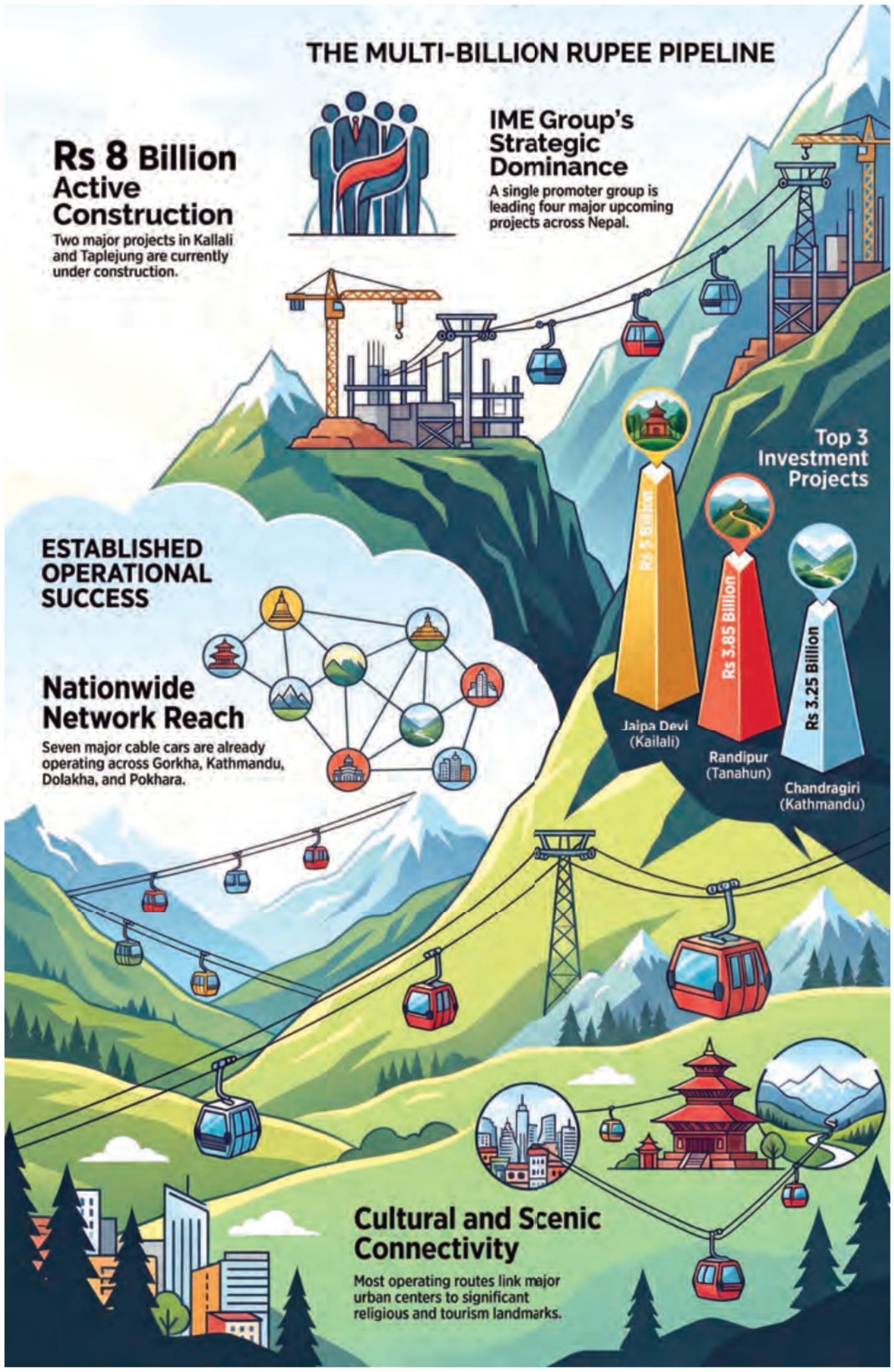
He argues that better roads have not reduced the relevance of cable cars. Instead, they have changed their role. "Even where road connectivity has improved, cable cars continue to play a vital role because they are part of a much broader tourism experience rather than merely a means of transport," he says.

That combination of convenience and experience is perhaps most evident in Pokhara. Annapurna Cable Car links Lakeside with Sarangkot in just nine minutes, replacing what was once a lengthy early morning drive or an uphill hike for visitors hoping to watch the sunrise over the Annapurna range.

"Annapurna Cable Car serves as a vital alternative transportation link connecting Lakeside to the top of Sarangkot in just nine minutes," says Dinesh Poudel, General Manager of Annapurna Cable Car. For Pokhara's growing mix of domestic holidaymakers, international trekkers and religious visitors, the time savings have become one of the project's biggest attractions.

"Traditional early morning car drives or hikes have been replaced with a streamlined, time saving journey," Poudel says. The attraction, however, extends well beyond the ride itself.

Visitors arriving at the upper station find centuries old temples, a 51-foot Panchamukhi Ganesha statue, 108 Shiva Lingams, ritual water spouts symbolising Muktinath, observation decks overlooking 16 Himalayan peaks and recreational attractions including sky cycling and giant swings. The journey itself has been carefully designed as part of the visitor experience. Over nine minutes, passengers travel from the shores of Phewa Lake across terraced farmland before panoramic views of Pokhara Valley gradually give way to the Himalayan skyline.



Built by Doppelmayr and installed by Nippon Cable, the system operates 17 passenger cabins and one freight carrier with a capacity of up to 500 passengers an hour. Free shuttle services connect the base station with Lakeside, making the attraction accessible for both tourists and local residents. Poudel believes cable cars could eventually play a larger role beyond tourism.

"As urbanisation increases density and parking challenges in major cities, cable cars represent a practical, time saving and space efficient urban transit and tourism solution for the future," he says.

Chandra Dhakal sees similar potential at Jalpa Devi, although in a very different setting. Scheduled to open within weeks, the 3.1-kilometre ropeway will connect Chisapani with Rajkanda above the Karnali River, reducing travel time

Cable Cars Must Become Destinations, Not Just Transport



Dr Roman Man Shrestha
Chief Executive Officer
Bandipur Cable Car & Tourism Ltd.

Nepal's cable car industry has evolved from a single operation at Manakamana into one of the country's fastest growing tourism sectors. Within the next two to three years, Nepal could have between 14 and 17 cable cars in operation, reflecting both the country's geography and the industry's potential.

Cable cars are no longer viewed simply as a means of transport. While Nepal's mountainous terrain makes aerial ropeways a practical alternative to roads, their future depends on creating memorable destinations rather than merely moving passengers. Successful projects combine hospitality, accommodation, local attractions and unique experiences that encourage visitors to stay longer.

This shift is evident across the industry. Earlier projects focused primarily on transportation or religious tourism. Today, cable cars are integrated into broader tourism development. Even in Bandipur, where road access has improved significantly, the cable car remains relevant because it enhances the overall visitor experience rather than replacing existing transport.

Bandipur is being developed as a community based tourism destination centred on eco tourism and local participation. Hotels, homestays, restaurants, transport operators and local communities are all part of the tourism ecosystem, ensuring that economic benefits are widely shared.

Adventure tourism is another pillar of the strategy. Rafting on the Marsyangdi River has completed trial operations, while paragliding, kayaking and rock climbing are already available. Hiking trails connect these attractions, allowing visitors to enjoy multiple activities during a single trip. Future projects include Sky Peak Adventures Park with a cantilever skywalk.

Religious tourism also offers significant opportunities. Alongside the construction of an 80 foot Adiyogi statue, Bandipur aims to attract Indian pilgrims while combining spiritual attractions with adventure, culture and nature.

The long term goal is to transform Bandipur from a stopover into a destination where visitors spend at least two days. Evening light shows, village tours, cycling, hiking, accommodation and cultural experiences will encourage longer stays and higher local spending.

Unlike many cable car projects built around a hotel, Bandipur is being developed as a comprehensive tourism destination where every attraction contributes to a richer visitor experience. ■

while opening one of western Nepal's most scenic landscapes to visitors. The project is being developed at an estimated cost of Rs 5 billion. Yet for IME Group, the cable car itself is only one part of a much larger investment.

Plans include a hotel, casino and banquet hall at the lower station, while the upper station will feature a resort, temple, restaurant, skywalk, children's park and walking trails overlooking the Karnali River and Chure hills. The approach reflects a broader industry trend. Cable cars may still solve transport problems, but developers increasingly view mobility as the foundation for much larger tourism businesses.

Policy Hurdles Slow the Climb

Despite the industry's rapid expansion, developers say the biggest obstacles are no longer engineering challenges but regulatory ones. Across interviews for this story, operators repeatedly pointed to lengthy approval processes, overlapping government agencies and land acquisition as the principal barriers to new investment.

Ashok Siwakoti argues that bureaucracy remains the industry's greatest constraint. "Private investors face significant friction due to convoluted government policies, particularly regarding land acquisition and regulatory approvals," he says.

Launching a new cable car project typically requires approvals from numerous government agencies, including local governments, forest authorities, Guthi institutions, land revenue offices and multiple ministries responsible for tourism, transport and physical infrastructure. The process can take years before construction even begins.

"Obtaining initial licences and clearances can easily stretch across five to eight years," Siwakoti says.

He believes many projects lose momentum long before construction starts. "For experienced investors, these delays reduce productive business years. For new investors, they often discourage investment altogether."

His proposed solution is a genuine single window approval system that would allow one designated authority

to coordinate environmental clearances, land acquisition and licensing rather than requiring developers to navigate multiple government offices. Dhakal describes a similar experience from the perspective of a company managing several projects simultaneously.

"Environmental clearances, approvals from local, provincial and federal governments, land use rights and local level issues require considerable time and coordination," he says. Many proposed cable car routes pass through remote mountain areas lacking basic infrastructure such as roads, electricity and water supply, making the transportation of heavy equipment a major logistical challenge even after approvals have been secured.

Pathibhara Cable Car illustrates both the opportunities and the constraints. Although construction is progressing rapidly, with most equipment delivered and major civil works already completed, the project has still faced delays related to approvals and local level coordination.

Dhakal notes that once approvals are finally secured, construction itself is comparatively fast. "Most of our projects have been completed within around 12 to 15 months after construction begins," he says. "The real challenge lies before construction starts."

For Annapurna Cable Car, the constraint is different. Poudel says the project's long-term growth depends not only on the cable car itself but also on wider transport infrastructure.

Travel times between Kathmandu, Chitwan and Pokhara remain longer than they should because of delays in highway expansion and maintenance. He also believes that fully operationalising Pokhara International Airport is essential if western Nepal is to attract substantially more international visitors. Taken together, the industry's concerns point to a common conclusion. Nepal has demonstrated that it can design, finance and build modern cable car systems. The bigger challenge now is creating a policy environment that allows projects to move from approval to construction far more quickly.

Building Ecosystems, Not Just Rides

If Nepal's first generation of cable cars

Nepal Needs a Single Window for Tourism Investment

Nepal's modern cable car industry began with religious tourism. The success of the Manakamana Cable Car demonstrated the commercial potential of serving pilgrims, and subsequent projects gradually expanded into hospitality and broader tourism. Hotels at upper stations have become common, creating new investment opportunities alongside transport services.



Ashok Siwakoti
Executive Director
Kalinchowk Cable Car

Kalinchowk reflects this trend. Although Kuri Village offers spectacular Himalayan scenery, alpine landscapes and leisure activities, the overwhelming majority of visitors come for religious purposes. During the peak month of Jestha, visitor numbers reached between 30,000 and 35,000, while only about 4,000 to 5,000 travelled primarily for leisure. The Kalinchowk Bhagwati Temple remains the principal attraction.

This highlights Nepal's enormous potential in religious tourism. Like Pashupatinath, destinations attract millions of pilgrims whose motivations differ from conventional sightseeing. Recognising these travel patterns is essential for future tourism planning.

Despite strong demand, investment remains constrained by cumbersome government procedures. Developing a cable car project often requires approvals from up to seven different agencies, including local governments, forestry offices, Guthi institutions, land revenue offices and multiple ministries. Securing licences and clearances can take five to eight years, discouraging investors and delaying projects.

A single window system for national priority projects would significantly improve the investment climate. One authority should be empowered to coordinate licensing, environmental approvals, land issues and local disputes instead of forcing investors to navigate multiple bureaucracies.

Where projects are completed, their economic impact is substantial. Cable cars stimulate local economies by supporting hotels, homestays, restaurants, transport operators and other businesses. Thousands of visitors each weekend generate employment and income for local communities. Public share ownership has also broadened participation, making many cable car companies community investments rather than purely private enterprises.

To sustain this growth, political parties and local stakeholders must protect business infrastructure from political instability and vandalism. Tourism investments generate jobs and long term economic benefits. Streamlined regulation, policy stability and a business friendly environment will be essential if Nepal is to fully realise the potential of tourism driven infrastructure. ■

REPORT

Better Connectivity Is the Key to Unlocking Pokhara's Tourism



Dinesh Poudel
General Manager
Annapurna Cable Car

Annapurna Cable Car provides a fast alternative route between Pokhara's Lakeside and Sarangkot, completing the journey in just nine minutes. It allows visitors with limited time to experience one of Nepal's best known viewpoints without the traditional early morning drive or hike.

The upper station combines natural scenery with cultural and recreational attractions. Visitors can explore 700 year old temples dating back to the reign of King Kula Mandan Shah, a 51 foot Panchamukhi Ganesha statue, 108 Shiva Lingams and 108 ritual water spouts representing Muktinath. The site also features an observation tower overlooking 16 Himalayan peaks, together with sky cycling and giant swings. Complimentary shuttle services connect the base station with Lakeside, while ticket prices remain affordable for domestic and international visitors.

The journey itself is part of the attraction. Passengers enjoy changing views of Phewa Lake, rural landscapes, Pokhara city and the Himalayan range during the nine minute ride. Built by Doppelmayr and installed by Nippon Cable, the system operates 17 passenger cabins and one freight carrier with a capacity of 500 passengers per hour. The company plans to become a public limited company through an initial public offering, allowing wider public participation.

Although tourism infrastructure within Pokhara has improved considerably, regional connectivity remains a major challenge. Slow highway construction means travel from Kathmandu or Chitwan continues to take longer than it should, limiting short holiday visits. Fully operationalising Pokhara International Airport and attracting more international airlines would significantly improve accessibility for foreign tourists.

As Nepal's cities become more congested and parking space becomes increasingly scarce, cable cars also offer an efficient urban transport solution. They save time, reduce road congestion and complement existing transport networks while strengthening tourism.

With better road and air connectivity, cable cars can play an even greater role in making destinations such as Pokhara more accessible, convenient and attractive to both domestic and international visitors. ■

Rather than following a standard blueprint, each destination is designed around its own geography, visitor profile and tourism potential.

At Chandragiri, the cable car is complemented by a five-star resort, conference facilities and event venues that have helped transform the hilltop into one of Kathmandu Valley's most popular locations for weddings, corporate retreats and weekend holidays.

At Maulakali, the emphasis is on pilgrimage supported by boutique accommodation, restaurants and landscaped public spaces overlooking the Narayani River.

Lumbini follows a similar approach. While the ropeway carries pilgrims to the shrines of Maa Kamakhaya and Maa Durga, the wider investment is intended to encourage visitors to extend their stay rather than returning immediately after darshan.

Jalpa Devi represents the next stage of that evolution. The project includes hotels, a casino, banquet facilities, restaurants, a temple, walking trails and a skywalk overlooking the Karnali River valley. Rather than relying solely on ticket revenue, the development is intended to generate income from hospitality, events and recreation throughout the year.

"Not every project follows the same model," Dhakal says. "Each destination is developed according to its own tourism potential." That philosophy extends to the group's most ambitious proposal, the Sikles Kori Cable Car in Kaski.

The planned 6.5-kilometre ropeway will climb to an elevation of around 3,900 metres, where natural snowfall lasts four to five months each year. Artificial snow making facilities are also planned to support year-round skiing.

Dhakal says the Environmental Impact Assessment has already been completed and construction will begin

focused on moving people uphill, the next generation is focused on giving them reasons to stay.

Developers increasingly see the ropeway as only one component of a much larger tourism business that includes hotels, restaurants, retail outlets, recreational facilities and religious attractions.

"The cable car itself is no longer the main product," says Chandra Dhakal. "The objective is to build an entire tourism ecosystem."

IME Group's projects illustrate that strategy.

once land lease approvals are finalised and the Jalpa Devi and Pathibhara projects are completed. If realised, Sikles would introduce an entirely new tourism product to Nepal, combining mountain recreation with a cable car and ski resort in a single destination.

Bandipur Cable Car is pursuing a similar objective through a different strategy. Rather than constructing large hotels, the project seeks to integrate existing local businesses into a broader tourism network. "Sustainable tourism requires the participation of every stakeholder, including transport operators, hotels, homestays, restaurants and local communities," says Dr Roman Man Shrestha.

"Rather than replacing existing businesses, the objective is to integrate them into a larger tourism ecosystem." Adventure tourism forms an important part of that strategy.

Paragliding, kayaking, rock climbing and rafting have already been introduced, while a Sky Peak Adventure Park featuring a cantilever skywalk is expected to become another major attraction. Shrestha says Bandipur's objective is not simply to attract more visitors but to encourage them to stay longer and spend more within the local economy.

Siwakoti sees similar benefits emerging around Kalinchowk. Successful cable car projects, he says, create economic opportunities that extend well beyond the companies operating them. Hotels, restaurants, transport operators, local farmers and handicraft producers all benefit as visitor numbers increase.

Regions that once depended on seasonal pilgrimage now support year round tourism businesses. With tens of thousands of public shareholders invested in several cable car companies, Siwakoti argues that these projects increasingly function as community enterprises rather than conventional private businesses. "The socio-economic transformation is significant," he says. "Cable cars create opportunities for entire local economies."

Longer Stays, Bigger Bets

For Nepal's cable car developers, the industry's future is no longer measured simply by passenger numbers. Instead, success depends on whether these investments can persuade visitors to spend more time and money in the destinations they serve. International tourists currently spend an average of only 12 to 13 days in Nepal.

Dhakal believes that figure can be increased substantially if every province develops destinations capable of retaining visitors for an additional two or three days. "Cable cars should not be viewed only as transport infrastructure," he says. "They should become anchors for wider tourism development."

That strategy is already beginning to produce visible results. Around 80 to 90 percent of employees across IME's cable car projects are recruited from surrounding communities, while local workers are increasingly being trained for technical and operational roles.

Chandragiri has developed into a popular wedding destination, particularly for Indian visitors, who account for roughly one third of arrivals. At Lumbini Cable Car, Indian pilgrims make up more than 60 percent of visitors. Dhakal expects both Pathibhara and Jalpa Devi to generate significant cross border tourism into Koshi and Sudurpashchim provinces once they begin operations. The economic impact extends beyond tourism businesses themselves.

Hotels, restaurants, transport operators, farmers supplying food products and local retailers all stand to benefit from higher visitor spending. Pathibhara already offers an early indication of that potential. Even before opening, construction activity has stimulated demand for accommodation, restaurants and local services in Taplejung. Shrestha believes the opportunity is even larger. Data from Uttar Pradesh alone, he notes, show roughly 575,000 people travelling to Nepal during the off season each year. Capturing a larger share of that market will depend on offering experiences that encourage visitors to travel beyond traditional destinations and extend their stay.

For Siwakoti, sustaining that momentum requires more than investment. It also requires political stability and policy consistency. "Business infrastructure must never be targeted, politicised or used as leverage during political disputes," he says.

He argues that long term investment in tourism depends on a predictable policy environment in which investors have confidence that projects will not be disrupted by political uncertainty. Nepal's cable car industry has already demonstrated that it can overcome difficult terrain and complex engineering challenges.

The next test is whether those ropeways can become the foundation for a new generation of tourism destinations. If they succeed, the country's cable cars will no longer be remembered simply for making mountain journeys easier. They may instead be recognised as the investments that helped reshape Nepal's tourism economy by extending visitor stays, diversifying local businesses and creating entirely new destinations across the country.

Nearly three decades after Manakamana introduced modern cable cars to Nepal, the industry is entering a new phase. Ropeways are no longer being built simply to shorten difficult journeys. They are becoming anchors for investment in hotels, resorts, adventure tourism and local businesses. If developers can overcome regulatory hurdles and deliver the next generation of projects, Nepal's cable cars may ultimately be remembered not only for changing how people travel through the mountains, but also for reshaping how the country builds tourism destinations. ■

The Great NEA Breakup

As the government prepares to restructure the Nepal Electricity Authority, officials are debating whether to break up the utility or retain it as a holding company overseeing separate generation, transmission, distribution, and trading subsidiaries

■ NewBiz Report

For more than twenty years, the idea has sat on a shelf in the Ministry of Energy: break up the Nepal Electricity Authority, the state monopoly that generates, moves, and sells almost all the power in the country. Governments have floated it, studies have recommended it, and each time the idea has quietly stalled.

That may be about to change.

The government has now committed to unbundling NEA, and for the first time in years, the reform has real momentum behind it. What remains unsettled is the shape it will take. Among the options on the table, a full demerger, splitting NEA into separate companies, has emerged as the frontrunner.

The commitment is written into two places that matter. It appears in the government's 100-point governance reform agenda, and again in the FY 2026/27 budget, which calls for splitting NEA's generation, transmission, and distribution functions into independent companies.

To turn that commitment into a plan, the Ministry of Energy formed a seven-member committee on June 28. It's led by Sandip Kumar Dev, joint secretary and head of the ministry's Energy Division, who has already begun consulting stakeholders across the sector.

Dev is keeping his cards close for now. "As the process is still at an early stage, I do not want to comment on the restructuring of NEA," he told New Business Age.

But the committee is not starting from a blank page. One committee member said NEA itself has already floated a restructuring proposal, and it's among the leading options under consideration.

That proposal sets up the fight to come. On one side is NEA's own leadership, who want to keep the authority intact as a parent company, with new subsidiaries reporting up to it. On the other are private developers and industry groups, who argue that nothing short of a genuine breakup will fix an institution they see as too big, too slow, and too conflicted to reform from the inside.

NEA's Pitch: Let Us Run It

NEA has proposed retaining the authority as a holding company with four subsidiary companies responsible for generation, transmission, distribution, and electricity trading.

"NEA would retain a majority stake in these companies," the committee member said.

Dirghyu Kumar Shrestha, acting managing director of NEA, confirmed the authority has developed its own institutional position on restructuring. "We propose to retain NEA as a holding company, with separate subsidiary companies responsible for generation, transmission, distribution, and electricity trading," he said.

The generation subsidiary would invest in and operate hydropower and other electricity projects under this plan. A similar role is already played by the state-owned Vidyut Utpadan Company Limited (VUCL), though NEA owns only a 10 percent stake in it.

Transmission would fall to a subsidiary managing the national grid and network, potentially through

integration with the state owned Rastriya Prasaran Grid Company Limited (RPGCL), another entity in which NEA lacks a controlling stake.

A separate distribution company would handle electricity supply and customer service. A fourth company, dedicated to power trading, would manage domestic and cross border sales and purchases, a role Nepal Power Trading Company Limited already performs under the country's only electricity trading license, though several private companies have applied for licenses of their own.

NEA currently exports electricity to India and Bangladesh and imports power from India directly. Under its proposal, that role would gradually shift to its trading subsidiary. "We have sought approval from the Electricity Regulatory Commission to allow Nepal Power Trading Company Limited to export 100MW of electricity to India," Shrestha said. [Note: your earlier draft named this body the Electricity Regulatory Authority. Worth confirming the correct name before publication.]

Governance would stay centralized even as operations split. NEA's managing director or chairperson would also chair each subsidiary, though every subsidiary would run its own CEO. Shares in the subsidiaries could eventually be offered to the public, if the government decides that's warranted.

Why NEA Wants to Stay Whole

Full separation is where NEA draws the line.

"My personal view, and the institutional position of NEA, is that completely splitting the authority at this stage could have serious consequences for the power sector," Shrestha said.

His argument centers on tariffs. Fully independent companies, he said, would inevitably chase profitability on their own books, and consumers would absorb the cost. "Electricity will become more expensive. Even in India, it took 10 to 12 years to establish fully independent entities," he said.

There's also a cross-subsidy at stake. Profits from generation and transmission currently cover losses from supplying remote and mountainous areas, Shrestha said, and breaking the authority up abruptly would strip that cushion away.

Rajan Dhakal, a director at NEA



who represents the authority on the restructuring committee, was more circumspect about which way the committee is leaning. "The committee is examining a range of models, including hybrid and fully separated structures," he said. "Since we are bound by the committee's code of conduct, it would not be appropriate to comment on which model may ultimately be recommended."

Technical subcommittees are still gathering data, he added, and the outcome isn't predetermined. "It is also possible that the committee concludes immediate unbundling is unnecessary or recommends an alternative approach. However, there is no doubt that some form of structural reform is needed."

Caution runs through NEA's messaging generally. Unbundling may look attractive on paper, one senior official argued, but international experience with it has been mixed. "Any decision should therefore be taken carefully," the official said.

Whatever model NEA ultimately supports, the official said restructuring needs to protect service delivery, not just organizational tidiness. "There are 10 to 15 restructuring models in use around the world. Rather than copying another country's approach, Nepal should adopt the model that best reflects its own assets, liabilities, and geographical realities. This should be implemented gradually over the next 20 to 25 years."

For now, NEA is waiting to be asked. Shrestha said the authority will formally present its position once the government requests it. "If the government decides to proceed with immediate full unbundling, we will explain the potential risks and consequences of such a decision," he said.

A Reform Two Decades in the Making

None of this is new. The World Bank's 2019 Nepal Energy Infrastructure Sector Assessment argued that Nepal would need deep institutional and regulatory reforms to unlock the large private investment required in its power sector. Rather than focusing solely on expanding generation, it recommended strengthening new sector institutions, restructuring the electricity sector to create a more level playing field for private investors, improving NEA's financial viability, and integrating Nepal more closely with the regional electricity market.

The report's underlying argument was investment. As Nepal moves toward seasonal electricity surpluses from its predominantly run of the river hydropower system, project economics will increasingly depend on access to large domestic consumers and export markets. The report therefore emphasized stronger institutions for electricity trade, financially sustainable sector entities and regulatory reforms that would encourage greater private participation while preserving NEA's central role during the transition.

One Utility, Too Many Jobs

That dual role is the crux of the private sector's complaint. NEA generates electricity, runs the national transmission network, distributes power, and signs PPAs with private developers, all at once. Acting as producer, buyer, transporter, and distributor at the same time has built conflicts of interest into the system by design.

Developers say the result is a backlog. Disputes over PPAs and project approvals often sit unresolved for extended periods, they argue, slowing investment across the sector.

"NEA has become too large and cumbersome," said Ashish Garg, chairperson of the Energy Development Council under the Confederation of Nepalese Industries (CNI). "When one organization is responsible for every function, decision making inevitably becomes slow and inefficient."

Getting a timely decision out of NEA's senior leadership is a common frustration among developers, according to Garg. Break the authority up, he argued, and that changes. "Once NEA is unbundled, each entity will be managed by specialists focused on their respective functions, resulting in faster decisions, greater transparency, and improved service delivery," he said.

Transmission has borne the cost of NEA's split focus, Garg added. With generation and distribution absorbing most of the authority's attention, grid infrastructure has lagged behind, leaving several completed hydropower projects unable to evacuate the electricity they generate because the lines to carry it were never finished on time.

Shrestha doesn't dispute the scale of the problem. Around 500MW of electricity is currently being spilled during the wet season, he said, for lack of transmission capacity to move it.

The imbalance has only grown starker since the generation sector opened to private investment. Private developers have significantly outpaced NEA in adding new capacity, while transmission, distribution, and trading have stayed locked inside a single institution. "This has contributed to bureaucratic inefficiency, excessive staffing, high operating costs, and political interference," Garg said.

Unbundling, in his view, would do more than fix NEA's internal problems. It would open the rest of the power sector to competition. "Following unbundling, the private sector would have clearly defined opportunities to participate in transmission and electricity trading as well as generation. That would create a healthier and more competitive electricity market," he said.

Whether that happens now, or gets shelved again, may come down to how much appetite the government has for a fight NEA itself is not ready to lose. ■

"Nepal's Passenger Vehicle Market Has Plateaued. The Next Challenge Is Expanding Demand."

Nepal's automobile market is undergoing a profound transformation. Electric vehicles now account for nearly three quarters of new passenger vehicle sales, while competition is shifting beyond product launches to financing, after-sales service and customer experience. As the market matures, the industry's biggest challenge is no longer attracting new brands, but expanding overall demand.

Gaurav Sharda, a Director of Sharda Group, has been at the forefront of that transformation. He oversees the group's automotive business, which represents Chery Group's OMODA, JAECOO and iCAUR brands in Nepal.

In this interview with *New Business Age*, Sharda speaks to *Mukul Humagain* and *Adarsha Adhikari* about the impact of the government's latest tax and monetary policies, the outlook for Nepal's automobile industry, the rise of Chinese EV manufacturers, the prospects for local vehicle assembly, the reforms needed to revive demand, and NAIMA's first year. *Excerpts:*

Q. The FY 2026/27 budget introduced the biggest overhaul of Nepal's EV taxation since electric mobility began gaining traction, replacing the long-standing motor capacity-based system with a customs value-based structure. The new monetary policy also introduced measures to promote electric buses. How do you assess these policy changes?

A. The biggest positive aspect of this year's budget is that the tax policy has become much clearer and more predictable. The shift to a value-based system has largely eliminated the ambiguity that often led to tax disputes under the previous framework. From that perspective, it is a welcome reform. That said, the benefits of the new tax structure are largely limited to vehicles with a maximum retail price (MRP) of around Rs 3 million to Rs 3.5 million. Vehicles priced above Rs 7 million have effectively become commercially unviable, making imports of dual motor and other premium EVs unlikely.

I believe this is consistent with the Finance Minister's objective of making EVs more affordable while discouraging luxury electric vehicles. We respect that policy direction. The bigger question is what comes next. Since the current government has a parliamentary majority and is expected to complete its full term, it should present a clear long-term roadmap for the automobile industry. Businesses need policy certainty to make long term investment decisions.

On the monetary policy front, the Governor's decision to allow banks to finance up to 80% of the cost of large electric buses, requiring only a 20% down payment, is a positive step. However, NAIMA has urged the government and Nepal Rastra Bank to extend the same financing rule to all vehicle categories, including passenger vehicles, commercial vehicles and two-wheelers. Vehicle loans are among the safest forms of lending for banks. Lower down payment requirements would not compromise credit discipline because banks will continue to assess borrowers' repayment capacity. Instead, easier financing would make vehicle ownership more affordable and expand the market.

Greater mobility also stimulates economic activity by supporting tourism, improving connectivity and facilitating the movement of people and goods. That is why we also urge the government to invest more in transport infrastructure, including roads, mass transit systems, public transport and long-distance bus services. A more mobile economy is ultimately a more productive economy.

Q. What impact do you expect the new EV tax structure to have on Nepal's electric vehicle market? Will it affect sales during this fiscal year?

A. I don't expect the EV market to decline. Instead, I expect it to consolidate. Nepal already has a large number of EV brands, giving consumers plenty of choice. Over the next four to five years, it will be a case of survival of the fittest. Brands with strong products, reliable after-sales service and a long-term commitment to the market will survive. I also don't expect many new brands to enter Nepal. This is probably the last year we will see a significant influx of new Chinese EV brands. The market has matured, and consumers have become much better informed about products, technology and service quality. I don't believe the market will stagnate. However, the passenger vehicle market has plateaued, with annual sales remaining at around 13,000 units over the past four to five years. If financing becomes more accessible, we could break through that level and potentially reach 15,000 units a year.



Gaurav Sharda
Director, Sharda Group

At this stage, the only way for the industry to grow is by expanding the overall market. That is where government policy should focus. The more vehicles that are sold, the more revenue the government generates. Easier access to financing would enable more people to buy vehicles while strengthening the entire automotive ecosystem. As for the tax changes, I believe the luxury vehicle segment will gradually shift from EVs back to internal combustion engine (ICE) vehicles. The current tax structure has made premium EVs less commercially attractive, making ICE vehicles relatively more competitive in that segment.

Q. You have emphasized the need for easier vehicle financing and have called for a higher loan to value ratio. Why do you believe this policy change is necessary?

A. Our recommendation applies to the entire automobile industry, not just EVs. We believe buyers should be able to make a 20% down payment, with banks financing the remaining 80%. Limited access to financing remains the biggest barrier to vehicle ownership. I am not asking for preferential treatment for electric vehicles. The same financing policy should apply equally to EVs and petrol vehicles, allowing consumers to choose the vehicle that best suits their needs.

Q. Which EV segments do you expect to drive future growth?

A. Entry level vehicles will continue to account for the largest share of the market. Compact cars and hatchbacks are likely to remain popular, while entry level SUVs and crossovers priced below about Rs 6 million will continue to dominate under the current tax structure. These two categories, affordable passenger cars and entry level SUVs, are likely to remain the main drivers of Nepal's EV market over the next few years.

Q. The rapid influx of Chinese EV brands has raised questions about whether Nepal's market can support so many players. Why have Chinese manufacturers become so dominant, and can all these brands survive?

A. China has more than 400 automobile brands, while only about 20 to 30 have entered Nepal so far, representing less than 10% of the

country's manufacturers. Most of these companies now produce new energy vehicles. Before the EV era, Chinese vehicles struggled in Nepal. Most Chinese petrol car brands exited the market 10 to 15 years ago because they could not compete with Japanese, Korean and Indian manufacturers in terms of technology and build quality. What changed was a decade of sustained investment in electric and hybrid vehicle technology, backed by significant research and development. Those investments have transformed product quality, reliability and innovation, and consumers are responding accordingly. This trend is not unique to Nepal. Thailand offers a good example, where Chinese brands now dominate the EV market after investing heavily in technology and product development.

I attended an automotive conference in China three years ago where the evolution of the global automobile industry was described in three phases: the American era, followed by the Japanese era, when fuel efficiency and reliability became the benchmark, and then the Korean era, driven by affordability and features. Today, we are entering the Chinese era. Chinese manufacturers have combined advanced technology, competitive pricing, low operating costs and feature-rich vehicles by building on the strengths of previous generations. Whether all these brands survive will ultimately depend on after-sales service. A vehicle is sold only once, but it returns to the workshop many times during its life. If customers are dissatisfied with the ownership experience, they will share that with friends, family and on social media. Poor after-sales service quickly damages a brand's reputation. That is why serious importers are investing heavily in service infrastructure, spare parts and technical training. Our own engineers are currently in China receiving EV-specific training. Companies that fail to provide quality after-sales service simply will not survive in the long run.

Q. Another concern often raised is whether Nepal is becoming a dumping ground for Chinese EVs, particularly because of battery disposal. How do you respond to that?

A. I believe that perception is based on a misunderstanding. Every importer bringing EVs into Nepal must sign an agreement with an authorised battery recycling partner outside the country before importing vehicles. Without such an agreement, imports are not permitted. Once a battery reaches the end of its service life, it must be exported for recycling. An EV battery also retains significant value after its useful life. It contains lithium, copper and other critical minerals that can be recovered and reused, which is why recycling companies actively seek these batteries rather than treating them as waste.

Instead of focusing on misconceptions, Nepal should develop its own battery recycling policy. The government should work with industry experts to establish standards and facilities that enable these valuable materials to be recovered domestically. That would create additional economic value rather than simply exporting used batteries for recycling. Ultimately, Nepal should focus on building a strong EV ecosystem instead of looking for reasons to oppose a technology that is already proving successful. Greater EV adoption has reduced dependence on imported petroleum, making vehicle ownership more economical while lowering fuel imports. Rather than viewing Nepal as a testing ground or dumping site, we should learn from countries that have successfully built EV ecosystems and adapt those best practices to our own market.

Q. Indian automakers are also entering Nepal's EV market with an increasing number of models. How do you see competition between Indian and Chinese manufacturers evolving?

A. India is still developing its EV ecosystem. It is making steady progress, but it has not yet reached China's level. China remains well ahead of the rest of the world in electric vehicle technology. The Indian government has introduced a range of incentives to promote EV adoption and clearly recognises the sector's strategic importance. If India continues investing at its current pace, its technology could become increasingly competitive with Chinese manufacturers over the next few years. At present, however, India still relies heavily on China for key components, including batteries, electric motors and other critical parts of the EV supply chain. Developing software, particularly battery management systems (BMS), remains one of its biggest challenges. Once those core technologies are in place, scaling up hardware manufacturing becomes much easier. Another constraint is the supply chain. India has limited domestic lithium resources, while China dominates global lithium processing and refining. As a result, I do not expect India to catch up overnight. It will be a gradual process, driven by sustained investment, technological innovation and supply chain development.

Q. Successive governments have encouraged local vehicle assembly. While Nepal now has assembly plants for several two wheeler brands and one four wheeler brand, why has the country still failed to develop a broader four wheeler assembly industry?

A. The fundamental issue is market size. Nepal sells only around 13,000 passenger vehicles a year, spread across dozens of brands and models. Even the best-selling model typically sells only 1,000 to 1,500 units annually. That volume is far too small to justify local component manufacturing or achieve economies of scale. Current policy also requires at least 20% local value addition. The question is whether Nepal has the supporting industries needed to meet that requirement. At present, it does not. We lack an automotive component ecosystem capable of supplying locally manufactured parts at scale. People often argue, quite understandably, that vehicles should be assembled in Nepal. I appreciate that sentiment, but there also has to be a viable business case. If the government removed the local value addition requirement, assembling vehicles from completely knocked down (CKD) kits would not be particularly difficult. The real challenge is creating genuine domestic value addition, and under current market conditions that is simply not commercially viable. If Nepal's annual passenger vehicle market expanded to 50,000 or 60,000 units, with individual models selling 5,000 to 6,000 units each, the economics would look very different. At that scale, local assembly and component manufacturing could become commercially viable. Until then, discussions about vehicle assembly need to be guided as much by commercial realities as by national aspirations.

Q. As an importer and authorised distributor, you have witnessed the evolution of Nepal's automobile market over the years. How have consumer preferences changed, and how are they shaping the market today?

A. One of the biggest strengths of Nepali consumers is their willingness to embrace new brands and technologies. They are not loyal to a particular brand simply because previous generations used it. Instead, they are willing to try something new. If a brand delivers a quality product backed by reliable after-sales service, customers remain loyal. If it doesn't, they move on. The same openness has driven Nepal's rapid adoption of electric vehicles. Consumers were willing to embrace EVs when they first entered the market, and that is one of the main reasons why around 75% of new passenger vehicles sold in Nepal today are electric.

I believe Nepali consumers are informed, discerning and increasingly aware of global automotive trends. They understand new technologies and are capable of making well-informed purchasing decisions. Improving access to vehicle financing would make mobility more affordable and help the market grow beyond its current plateau by enabling more people to own vehicles.

Q. Turning to the EV brands your group represents, how has the business performed so far?

A. The market response has been very encouraging. In fact, demand has exceeded our expectations. Traditionally, the final month of the fiscal year is a slow period for the automobile industry. This year, however, the past two months have been surprisingly strong, even after the budget announcement, indicating that demand remains resilient. Our three brands, Omoda, JAECOO and iCAUR, have all delivered strong sales despite what is typically a weak season for the market. Looking ahead, we expect this momentum to continue through the NAIMA Auto Show and into the festive season. We aim to build on the traction we have gained by further strengthening our sales and expanding our market presence.

Q. Nepal's automobile market remains largely concentrated in urban areas. Do you see the next phase of growth coming from semi-urban areas and smaller towns?

A. Absolutely. That opportunity already exists. We have established 18 showrooms across Nepal, and as our brand has become more established, we have seen growing demand from consumers in smaller cities and towns. In fact, some of our models have performed even better outside Kathmandu Valley, reflecting increasing confidence in both the brand and our dealer network. That said, the size of these markets ultimately depends on purchasing power and population. While demand is growing, lower income levels outside Kathmandu naturally limit sales volumes compared with larger urban centres.

Looking ahead, infrastructure development will be the key catalyst for future growth. Better roads and improved connectivity make vehicle ownership more practical by reducing travel time and transportation costs. As mobility improves and economic activity expands, purchasing power will increase, creating stronger demand for personal vehicles in semi-urban areas and smaller towns. We believe the next phase of growth in Nepal's automobile market will increasingly come from these emerging markets.

Q. NAIMA has completed its first year. Looking back, has it achieved the objectives it was established for, and what value has it brought to Nepal's automobile industry? Some people say NAIMA mainly represents importers rather than the broader automobile ecosystem. How do you respond?

A. NAIMA was established to provide a dedicated voice for importers and manufacturers of two-wheelers, passenger vehicles and commercial vehicles. Although we have only around 36 members, we felt the industry's priorities were not being adequately represented by broader business organisations. That is why we created a platform focused exclusively on the automobile sector.

Over the past year, in addition to successfully organising the NAIMA Auto Show, we have worked closely with the Ministry of Finance, the Department of Transport Management, the Department of Customs and the Ministry of Industry, Commerce and Supplies to raise industry concerns and help resolve policy issues. Beyond advocacy, we have focused on strengthening Nepal's automotive ecosystem. We have partnered with the traffic police on road safety initiatives and collaborated with Pulchowk Campus, Thapathali Campus and CTEVT to help develop a skilled workforce for the industry.

Addressing Nepal's shortage of qualified technicians has been one of our biggest priorities. Many young people leave the country in search of work, while companies struggle to recruit skilled workers. We have supported curriculum improvements, organised guest lectures by industry professionals and encouraged member companies to recruit trainees, many of whom are now receiving practical training. NAIMA's role extends beyond policy advocacy. We are investing in skills development and employment to strengthen the industry's long-term future. In fact, a portion of every ticket sold for the NAIMA Auto Show is dedicated to technical skills training, reflecting our commitment to developing talent and creating opportunities for young Nepalis.

Q. The second NAIMA Auto Show is just around the corner. What can visitors expect this year compared with the inaugural edition?

A. This year's exhibition will be significantly larger than the inaugural edition. More than 55 brands will participate, with over 40 new vehicle launches planned, making it the largest automotive showcase ever held under one roof in Nepal. Visitors will also see charging solution providers, automotive technology companies such as Bosch, along with banking and insurance partners offering financing and insurance packages tailored for vehicle buyers.

Last year's show was organised within a very short timeframe. This year, we have incorporated extensive feedback from exhibitors and visitors to improve the overall experience. From our company's perspective, we will unveil a new Chery urban crossover hatchback, with Nepal expected to be among the first countries in the world to launch the model. Visitors can also expect the debut of four or five new Chinese EV brands, along with at least one new hybrid brand entering the Nepali market. ■

Taking the Classroom to the Community

Selected for a global higher education innovation programme, Nepal Communiversity explores how community-based learning can prepare graduates for a rapidly changing world.

■ **Adarsha Adhikari**

Before admitting its first cohort of students, Nepal Communiversity has found itself at the centre of a global conversation on the future of higher education. The institution has been selected for the inaugural Innovation Sandbox of the Future Universities Alliance, joining 49 universities and education initiatives from 23 countries experimenting with new ways to prepare graduates for an increasingly complex and rapidly changing world. The recognition comes as Nepal's higher education system faces growing scrutiny over graduate employability, workplace readiness and its ability to keep pace with rapidly changing labour market demands. Against that backdrop, Nepal Communiversity is implementing a model that takes learning beyond classrooms and into communities.

The debate is particularly relevant in Nepal, where employers have long argued that graduates often leave university without the practical skills needed in today's workplace. At the same time, thousands of students leave the country each year to pursue higher education abroad, while universities face increasing pressure to prepare graduates for labour markets being reshaped by technology, entrepreneurship and artificial intelligence. Against this backdrop, a group of Nepali educators founded Nepal Communiversity to challenge the conventional model of lecture based, examination driven higher education. Instead, the institution combines classroom instruction with extended community immersion, allowing students to work alongside entrepreneurs, farmers, artisans and local leaders across Nepal. "We began by asking whether universities were adequately preparing students for the complex social and economic challenges they would face after graduation, and whether learning could be more closely connected to communities and real world experiences," said Udgum Khadka, Executive Director of Nepal Communiversity. The institution's first academic programme, a Master's in Social Innovation and Entrepreneurship (MSIE), is scheduled to begin in October 2026 with an inaugural intake of 30 students.

Global Recognition

Nepal Communiversity has been chosen as one of 49 higher education institutions from 23 countries participating in the Future Universities Alliance Innovation Sandbox, a yearlong peer learning programme incubated by Duke University in the United States. Running from July 2026 through June 2027, the programme brings together universities and new educational initiatives from across five continents to explore new approaches to institutional design, curriculum development, teaching methods, credentials, accessibility and long term sustainability. Participating institutions have been grouped into three categories: Startup Institutions, New Initiatives within Existing Institutions, and Amplifying Signature Innovations. Nepal Communiversity has been selected under the Startup Institutions category.

Narottam Aryal, President of Nepal Communiversity, said participation would allow the institution to exchange ideas with educators experimenting with new models of higher education while learning from international experience. "The programme gives us an opportunity to learn from institutions experimenting with new approaches to higher education while sharing Nepal's own experience with an international network of educators," Aryal said.

Learning by Living

The institution's flagship programme is the 15-month Master's in Social Innovation and Entrepreneurship, developed in partnership with Kathmandu University. Although students will be enrolled at Kathmandu

"Our approach connects education with communities and real-world learning"



UDGUM KHADKA
Executive Director
Nepal Communiversity

How did the idea of Nepal Communiversity begin?

The idea emerged in 2018 from discussions about the growing disconnect between what universities teach and the realities young people face after graduation. We questioned whether conventional higher education was adequately preparing students for complex social and economic challenges and whether learning could be more closely connected to communities and real world experiences. Those discussions eventually evolved into an effort to design a different educational model, one that combines academic learning with community engagement, interdisciplinary study and experiential learning. Nepal Communiversity was established as a



University and graduate with its degree, much of the learning will take place outside conventional classrooms. The programme is organised into five trimesters. During the first three, students will live and study in three distinct regions of Nepal, Chitlang in the hills, Janakpur in the Terai and Mustang in the Himalayan region. Each trimester combines academic coursework with community immersion, field research and project based learning.

The curriculum integrates social sciences, entrepreneurship and technology, encouraging students to analyse local challenges and develop practical solutions through direct engagement with communities. For the final two trimesters, students choose one of four pathways: entrepreneurship, industry, research or global immersion. According to the institution, graduates will be prepared for careers in entrepreneurship, business, technology, development organisations, research and higher education.

Why the Model Matters

The initiative reflects broader debates over the future of higher education, both globally and in Nepal. Around the world, universities are under growing pressure to produce graduates who can adapt quickly, think across disciplines and solve real world problems. Employers increasingly value practical experience alongside academic qualifications, prompting many institutions to rethink how learning takes place. "Community immersion is designed to complement, not replace, academic study," Khadka said. "Learning in communities provides practical context, while academic standards are maintained through coursework, faculty supervision and continuous assessment," says Khadka.

Nepal Communiversity's model attempts to address that gap by integrating academic study with continuous field experience. Rather than treating communities as subjects of research alone, the institution positions them as active learning environments where students can test ideas, collaborate with local stakeholders and better understand Nepal's diverse economic and social realities. Its founders argue that exposing students to different regions and communities throughout the programme will help them develop a deeper understanding of local economies while strengthening analytical, entrepreneurial and leadership skills.

The Next Test

The institution currently plans to admit one cohort of students annually while refining its academic model through practical experience. It also intends to introduce shorter community based programmes for undergraduate students and eventually attract international participants and members of the Nepali diaspora. In the longer term, its founders hope Nepal Communiversity will evolve into an autonomous degree granting institution offering programmes rooted in Nepal's own social and economic context while maintaining international academic engagement. Whether the model succeeds will ultimately depend less on its philosophy than on its graduates. When the first cohort begins classes in October, Nepal Communiversity's experiment will move from concept to practice, offering an early test of whether community based learning can produce graduates better equipped for a rapidly changing world. ■

nonprofit organisation in 2023 to put those ideas into practice.

How does Nepal Communiversity differ from conventional universities?

Students spend each trimester living and learning in communities across Nepal's Himalayan, hill and Terai regions. Alongside coursework in social sciences, entrepreneurship, technology and community based project course, they learn from entrepreneurs, farmers, artisans, community leaders and other local knowledge holders. Rather than relying primarily on final examinations, the programme uses continuous assessment and project based learning. During the final two trimesters, students choose one of four pathways: entrepreneurship, industry, research or global immersion.

Community based learning is central to your model. How do you ensure academic rigour?

Community immersion is designed to complement, not replace, academic study. The programme has been developed in partnership with Kathmandu University, and students follow a structured curriculum that combines classroom instruction, fieldwork and continuous assessment. Learning in communities provides practical context, while academic standards are maintained through coursework, faculty supervision and regular evaluation.

Nepal Communiversity has been selected for the Future Universities Alliance Innovation Sandbox. Why do you think the institution was chosen?

Universities around the world are exploring new ways of responding to rapid technological and social change. Our approach starts from a different perspective by reconnecting education with local communities, knowledge systems anwd real world challenges. We believe that emphasis on context, alongside technology and entrepreneurship, aligned well with the objectives of the programme. The selection also provides an opportunity to learn from institutions experimenting with new approaches to higher education while sharing Nepal's own experience with an international network of educators. ■

English Skills Are an Investment in Future Opportunities

Pratistha Thapa Rayamajhi, Country Exams Director and General Manager of British Council Nepal, oversees the organisation's examinations portfolio, including IELTS and a range of internationally recognised academic and professional qualifications. With more than 15 years of leadership experience across education, healthcare, consulting, banking and the automotive sector, she has played a key role in expanding access to high quality English language assessments and strengthening the British Council's nationwide partner network.

In this interview with *New Business Age*, Rayamajhi discusses the growing importance of IELTS for Nepali students, the British Council's efforts to improve access beyond Kathmandu, the role of education consultancies and registration partners, and why English language skills remain a critical investment in Nepal's future. *Excerpts:*



PRATISTHA THAPA RAYAMAJHI
Country Exams Director and General Manager, British Council Nepal

Q. To begin with, could you tell us about your role as Country Exams Director at British Council Nepal and how the exams portfolio contributes to Nepal's education and skills landscape?

A. As the Country Exams Director at British Council, I am responsible for overseeing the delivery of our examinations portfolio, ensuring that every test is delivered securely, fairly, and to the highest international standards. This includes globally recognised qualifications such as IELTS, Cambridge A levels, ACCA, MRCP and a range of UK professional examinations.

Supported by my team, I work to ensure that candidates across Nepal have access to trusted assessments such as IELTS, helping them develop the English language skills they need for education, professional growth, and success in an increasingly globalised world.

Beyond administering exams, we are committed to helping Nepal build its human capital by connecting learners with internationally recognised qualifications that open doors to opportunities around the world.

Ultimately, our goal is not just to conduct exams, but to enable people in Nepal to realise their potential by providing trusted pathways to education, employment, and global opportunities.

Q. IELTS is widely seen as a gateway for international higher education. From your perspective, why does IELTS continue to be important for Nepali students aspiring to study abroad?

A. IELTS is recognised by thousands of universities, employers, and government organisations worldwide, making it one of the most widely accepted English language proficiency tests. This global recognition gives Nepali students greater flexibility when choosing their study destinations and provides institutions with confidence that applicants have the language skills needed to succeed.

IELTS continues to play a vital role because it gives students, universities, and governments confidence in a candidate's ability to communicate effectively in English in real academic and everyday settings. For many Nepali students, studying abroad is about much more than gaining a degree; it's about succeeding in a new educational environment, participating actively in classrooms, collaborating with peers from diverse backgrounds, building a new life in a completely new social environment and building a global career.

Finally, IELTS opens the door to global opportunities. Its worldwide recognition means students can pursue education, work, and migration pathways across many countries, including the UK, with confidence. More importantly, the language and communication skills they develop through IELTS enable them to engage with diverse communities, collaborate across cultures, and make the most of the international experiences that await them.

Q. Beyond university admission, how does IELTS help students build confidence in communication, academic readiness, and global exposure?

A. The skills assessed in IELTS reflect the kinds of communication students use every day, whether participating in lectures, writing academic assignments, engaging in group discussions, or interacting with others.

Equally important, preparing for IELTS encourages students to develop the academic English and critical thinking skills that will benefit them well beyond the test itself. When approached as part of a student's overall preparation for international education, IELTS becomes an investment in their long-term academic and professional success rather than simply a requirement for admission.

Preparing for the test encourages learners to strengthen all four language skills that IELTS tests, namely, listening, reading, writing, and speaking, in a very practical and balanced way. This not only improves their English proficiency but also develops academic readiness. The test familiarises students with the types of tasks they are likely to encounter at university, such as analysing information, presenting arguments, and communicating effectively under time constraints. These are valuable skills that prepare students for education, employment and migration opportunities around the world.

Q. For many potential test takers outside Kathmandu, accessibility remains a major concern. How is British Council Nepal working with IELTS Registration Partners nationwide to make information, registration, and support more accessible, including the introduction of IELTS on Computer alongside IELTS on Computer plus Paper?

A. Every potential candidate throughout the country should have the same opportunities to access IELTS, regardless of where they live. We are committed to supporting candidates through the registration process and guiding them as they prepare for their test.

Our Business Development Executives, who are based outside Kathmandu, work directly with our IELTS Registration Partners across Nepal to organise IELTS information sessions and briefings for students, helping them better understand the test format, registration process, and available options. They also coordinate teacher familiarisation and training programmes on IELTS on Computer, enabling educators better to prepare their students for the evolving testing experience.

To make IELTS more accessible, we continue to strengthen our network of IELTS Registration Partners across Nepal. These partners play an important role in providing accurate information, supporting candidates through the registration process, and guiding them as they prepare for their test. We work closely with them to ensure they are equipped with the latest information and best practices so they can confidently support prospective test takers.

At the same time, we are expanding our test delivery network beyond Kathmandu, making IELTS more accessible to candidates across Nepal. Test takers can now choose between IELTS on Computer and IELTS on Computer with Writing on Paper at venues in Kathmandu, Pokhara, Butwal, Chitwan, Itahari and Birtamode. This expanded network gives candidates greater flexibility, reduces the need for long-distance travel, and brings internationally recognised testing closer to where they live and study.

In addition, we regularly host webinars for both our registration partners and prospective candidates. These sessions provide updates on IELTS products and services,

answer frequently asked questions, and offer practical guidance to help candidates make informed decisions and prepare with confidence.

Ultimately, our objective is to ensure that every learner in Nepal, whether they are in Kathmandu or any other part of the country, has convenient access to trusted information, high-quality support, and internationally recognised British Council IELTS testing.

Q. The recent IELTS Partner Summit 2026 brought together registration partners from across Nepal. What does this collaboration mean for students, professionals, and Nepal's wider ambition for global engagement?

A. Our partnership with our B2B agents, primarily education consultancies, is extremely important to us. They are the bridge between potential test takers and us, and the majority of our registrations come through them. We have invested considerable time and effort in building these partnerships and ensuring that we meet the needs of our test takers. We work directly with most partners and indirectly through associations.

The IELTS Partner Summit 2026 was an important opportunity to bring together our IELTS Registration Partners from across Nepal, recognise their contribution, and strengthen our shared commitment to supporting test takers while awarding the top performers. Since 2025, we have also organised Pre Partner Summits outside of Kathmandu as well, so that we can acknowledge the efforts and contributions of our partners regionally. Our partners are often the first point of contact for students, so equipping them with the latest information, best practices, and a deeper understanding of IELTS is essential to delivering a high-quality candidate experience. The Summit also provided a platform to share updates on new developments, including the continued expansion of IELTS on Computer and IELTS on Computer with Writing on Paper, as well as initiatives designed to improve accessibility and convenience for candidates nationwide.

For students and professionals, this collaboration means they have access to accurate guidance, trusted advice, and consistent support throughout their IELTS journey—from choosing the right test format and completing their registration, to understanding the preparation resources available to them. It also helps ensure that candidates across Nepal, not just in Kathmandu, receive the same high standard of service and information.

More broadly, this collaboration reflects a shared commitment to Nepal's growing engagement with the global community. As increasing numbers of Nepalis pursue higher education, professional qualifications, and careers overseas, trusted English language assessments like IELTS become an important enabler of those aspirations. By investing in strong partnerships, expanding access, and maintaining international standards, we are helping to create more pathways for Nepali learners and professionals to connect confidently with opportunities around the world.

Q. British Council Nepal recognises top performing IELTS Registration Partners through annual awards and has also organised Partner Summits across IELTS test locations since 2025. How do these initiatives strengthen the IELTS partner network and ecosystem, particularly outside Kathmandu? What message would you like to share with students, parents, education consultancies, employers, and partners about the role of IELTS, English language skills, and internationally recognised qualifications in Nepal's future?

A. English language skills and internationally recognised qualifications should be viewed not simply as requirements for studying or working abroad, but as investments in lifelong learning and future opportunities. To students, I encourage you to see IELTS as more than a test. It is an opportunity to build the communication skills, confidence, and academic readiness that will support you wherever your future takes you. Focus on developing genuine language proficiency rather than preparing only to achieve a particular score.

To parents, your encouragement and support play a vital role. Choosing a trusted English language assessment and helping young people prepare with the right resources can make a meaningful difference to their educational journey and long-term success.

To our education consultancies, IELTS Registration Partners and award winners, thank you for the important role you play in guiding students. Our annual recognition programme and regional Partner Summits reflect our commitment to building a strong, professional partner network across Nepal. By providing accurate information, maintaining high standards and putting students' interests first, we can ensure that candidates make informed decisions and enjoy the best possible experience, regardless of where they live.

To employers, strong English communication skills and internationally recognised qualifications remain valuable assets in an increasingly interconnected global economy. They demonstrate not only language proficiency but also the ability to communicate effectively, collaborate across cultures and succeed in international workplaces.

Looking ahead, Nepal has tremendous potential. As more young people pursue higher education, international careers and global collaboration, demand for high-quality English language skills will continue to grow. At the British Council, we remain committed to supporting learners across Nepal through trusted assessments such as IELTS, expanding access to our services, and working closely with our partners to help individuals realise their ambitions. ■

Building Nepal's Digital Talent Pipeline

As Nepal's digital economy expands, higher education institutions are redesigning technology programmes to produce graduates with skills in software engineering, data science, cloud computing and artificial intelligence. Kathmandu College of Management is among the institutions adapting its curriculum to meet these changing workforce requirements.

■ NewBiz Report

Nepal's technology industry is expanding beyond software outsourcing into fintech, digital banking, artificial intelligence and cloud services. As employers compete for skilled technology professionals, B-schools in Nepal are increasingly redesigning their programmes to produce graduates with practical digital skills and stronger industry exposure.

This shift is prompting higher education institutions to rethink how technology is taught. Beyond conventional computer science degrees, universities are increasingly introducing programmes that combine technical expertise with practical learning, industry engagement and business knowledge to better prepare graduates for an evolving labour market. Kathmandu College of Management (KCM), one of Nepal's long established management colleges, is among the institutions expanding its technology programmes in response to changing industry demand.

An Early Focus on Business and Technology

KCM's engagement with technology education dates back to 1999, when it launched the Bachelor of Business Information Systems (BBIS) programme. At the time, formal information technology education was still relatively limited in Nepal, and the programme sought to integrate management studies with computing, an approach that has since become increasingly common. The curriculum combined business courses with programming, databases, networking and information systems, aiming to produce graduates capable of understanding both organisational needs and technological solutions.

Among its early graduates was Bibhusan Bista, founder and Executive President of Young Innovations Pvt. Ltd., illustrating how the programme produced graduates who later entered Nepal's technology industry.



Aligning Education with Industry Standards

Alongside its academic programmes, KCM established partnerships with international technology companies to supplement classroom learning with professional certifications and practical training.

Over the years, the college has collaborated with

organisations including Cisco, Microsoft, AWS Academy and Sun Microsystems, giving students exposure to networking, cloud computing and software development technologies that are widely used in industry. The collaborations also supported curriculum updates and faculty development, helping align academic programmes with evolving industry requirements. Such collaborations have become increasingly important as employers place greater emphasis on practical skills alongside academic qualifications.

Expanding into Data Science and Artificial Intelligence

Building on its earlier technology programmes, KCM has recently introduced two undergraduate degrees under its academic affiliation with Siam University, Thailand: The Bachelor of Science in Information Technology (BSc IT) and the Bachelor of Science in Computer and Data Science. While both programmes emphasise practical learning, they are designed for different career pathways.

Both programmes incorporate laboratory work, project



based learning, internships and industry engagement as core components of the curriculum. Students also have the option of completing their seventh semester at Siam University in Bangkok, providing international academic exposure.

Bridging Technical Skills and Business Knowledge

Industry observers note that employers increasingly expect graduates to possess not only technical competence but also communication, teamwork and problem solving skills. According to Dr Sunil Chaudhary, Head of KCM's IT Programmes, organisations are looking for professionals who can understand business processes while applying technology to solve practical challenges.

"Today's employers seek graduates who possess both strong technical expertise and essential professional skills. Beyond proficiency in software, data and digital technologies, they value individuals who can communicate effectively, collaborate in diverse teams, think critically, solve complex problems and understand business processes," he said.

The growing integration of technology across sectors means software engineers, data analysts and AI specialists are increasingly expected to work alongside finance, operations, marketing and management teams. As a result, many universities are placing greater emphasis on interdisciplinary learning that combines technical education with broader business understanding.

Responding to a Changing Digital Economy

Nepal's technology sector is expected to continue expanding as businesses accelerate digital transformation and demand for digital services grows both domestically and

BSc in Information Technology	BSc in Computer and Data Science
Credit Hours	
123	132
Focus	
Focuses on software engineering, application design, software development and quality assurance.	Focuses on data science, machine learning, artificial intelligence and big data analytics.
Career Prospects	
Career paths include software engineer, systems administrator, QA engineer and solutions architect.	Career paths include data scientist, data engineer, AI and machine learning specialist, and business intelligence analyst.

internationally. This is creating opportunities for graduates in software development, cloud computing, cybersecurity, data analytics and artificial intelligence, while also increasing expectations for universities to deliver industry relevant education.

The introduction of programmes in information technology, data science and artificial intelligence reflects broader changes taking place across Nepal's higher education sector. As digital technologies reshape businesses, B-schools are increasingly expected to produce graduates with both technical competence and practical industry experience. ■

THE BIGGEST MOVES

Nepal Lube names Karan K. Chaudhary Chairman & CEO



Nepal Lube Oil has announced a major leadership transition. The Board appointed **Karan K. Chaudhary** as Chairman and Chief Executive Officer after accepting the resignation of founder Arun Kumar Chaudhary, who has been honoured with the title of Chairman Emeritus. Gangaraj Bhattarai has been appointed Executive Director, while Assistant General Manager Subash Acharya has been appointed Company Secretary.

Suman Acharya, Lumbini Bikas Bank



Suman Acharya has been appointed Chief Executive Officer. A seasoned banker, he has held senior executive positions at several commercial banks before taking charge at Lumbini Bikas Bank.

Basanta Raj Raut, Solu Hydropower



Solu Hydropower has appointed **Basanta Raj Raut** as Chief Executive Officer. He will lead the company's executive management with a mandate to strengthen operational effectiveness, accountability and professional management.

Laxmi Prasad Sharma, NIC Asia Laghubitta



The Board appointed Sharma as Chief Executive Officer for a four-year term effective from June 25.

LEADERSHIP WATCH



KAMAL SHRESTHA
Manushi Laghubitta

Shrestha has been appointed Acting CEO after **Shobha Bajracharya** completed her tenure. He will lead the institution until the merger with Unique Nepal Laghubitta and Jeevan Bikas Laghubitta is completed and has also been entrusted with the role of Company Secretary.



NARMADESHWAR NARAYAN SINGH
Bottlers Nepal

Narmadeshwar Narayan Singh has been appointed Chairman. Mukti Hariharan and Pankaj Sinha joined the Board as directors, while Shruti Chawla was appointed Alternate Director.

BOARDROOM

Machhapuchchhre Bank





Deputy Chief Executive Officer **Prasiddha Raj Aryal** has been promoted to Senior Deputy Chief Executive Officer (Senior DCEO), while Deputy General Manager Suvash Jamarkattel has been elevated to the position of Deputy Chief Executive Officer (DCEO).

Pokhara Finance



Following the merger with Samriddhi Finance, **Ajaya Kumar Mishra** has been appointed Chairman of the reconstituted Board. Binod Raj Paudel has been named Company Secretary.

Rastriya Banijya Bank



The Board has promoted **Pawan Regmi** to Deputy Chief Executive Officer. It also elevated Chief Managers Nimbal Shrestha and Bhim Prasad Ghimire to Deputy





SANGEETA PAHADI ARYAL
Nepal Telecom

The Ministry of Communications reinstated Aryal as Managing Director after the Special Court cleared her of all corruption charges. She has resumed leadership of the state owned telecom company.



MANOJ BASNET
Kantipur Media Group

Manoj Basnet has been appointed General Manager, overseeing the print and supply chain division. He previously served as General Manager of Annapurna Media Network and returns to Kantipur Media Group for his third stint with the organisation.

EXECUTIVE EXITS



Chief Executive Officer **Chudamani Chapagain** has resigned from the Nepal Stock Exchange (NEPSE). The exchange has yet to announce his successor.

NEPSE



Sitaram Thapaliya has resigned from the Board of NRN Infrastructure.

NRN Infrastructure



Shiva Singh Karki has stepped down from the Board of Hathway Investment Nepal.

Hathway Investment Nepal

Executive Officers. Regmi holds an MPhil and an MBS in Economics. Since 2005, he has served the bank in various senior managerial roles, including as a Department Head and Branch Manager, gaining extensive experience in leadership and banking operations.

Himalayan Life Insurance





The insurer has reconstituted its Board following the resignation of four directors. **Prof. Dr. Prakash Muni Bajracharya** and **Surakshya Kafle** joined the Board, while former Joint Secretary Thaneshwar Gautam has been appointed Independent Director.

HIDCL



Energy Secretary **Sarita Dawadi** has been appointed Chairperson of Hydroelectricity Investment and Development Company Limited after being nominated as the government's representative director. She succeeds Chiranjibi Chataut.

Citizen Life Insurance









The insurer has extended the tenure of four directors representing its founding shareholders until the next Annual General Meeting. **Pradip Jung Pandey**, **Sumit Kumar Agrawal**, **Manoj Karki** and **Mahesh Swar** will continue in office, with Pandey also remaining Chairman

Himalayan Bank



Employees Provident Fund Chief Manager **Birendra Paudel** has joined the Board as the representative of the founding shareholder, Employees Provident Fund.

Rastriya Banijya Bank



Finance Minister Swarnim Wagle appointed **Astha Bhatt** to the Board. Bhatta previously worked as a program specialist at the Institute for Integrated Development Studies (IIDS).

CEDB Holdings



Avinash Silwal has joined the Board of Directors, replacing Sangita Rauniyar. CEDB Holdings is an investment company with stakes in several hydropower projects.

Laxmi Laghubitta





Monika Kunwar and **Nabin Upadhyay** have joined the Board as representatives of Laxmi Laghubitta, replacing Mamata Parajuli and Suman Prasad Gelal.

CORPORATE MOVEMENTS

GOVERNMENT MOVES

University Leadership



Prime Minister Balendra Shah has appointed Vice Chancellors to seven universities: **Prof. Dr. Bhola Thapa** at Tribhuvan University, **Prof. Dr. Kishan Dutta Bhatt** at Sudurpashchim University, **Prof. Dr. Rajan Suwal** at Mid Western University, **Rishi Ram Kattel** at the Agriculture and Forestry University, **Shyam Narayan Labh** at Rajarshi Janak University, **Devendra Adhikari** at Pokhara University, and Prof. Dr. Sujan Babu Marahatta at Purbanchal University.

Health Science Institutes



Prime Minister Balendra Shah has appointed Vice Chancellors to six health science institutes following a competitive selection process. The appointments include **Bibek Acharya** at the National Academy of Medical Sciences (NAMS), **Nabin Man Singh Pradhan** at the Patan Academy of Health Sciences, **Smriti Karki** at the B.P. Koirala Institute of Health Sciences, **Narayan Singh Gurung** at the Pokhara Academy of Health Sciences, **Suryaman Mehyangbo** at the Karnali Academy of Health Sciences, and **Ajay Kumar Mishra** at the Rapti Academy of Health Sciences.

Gorkhapatra Corporation



Journalist **Hikmat Bahadur Rawal** has been appointed General Manager of Gorkhapatra Corporation. With more than 25 years of experience in journalism, he has worked with Avenues Television, News24, Galaxy Television, and the BBC Nepali Service. Throughout his career, he has served as a correspondent, regional bureau chief, and editor for both local and national newspapers. Rawal holds master's degrees in Mass Communication and Journalism and Sociology, along with a bachelor's degree in English Literature.

Civil Service Hospital



Prof. Dr. Jitendra Pariyar has been appointed Executive Director of Civil Service Hospital after topping the merit list prepared by the selection committee.

Jagadishwar Pandey, Ministry of Foreign Affairs



Journalist **Jagadishwar Pandey** has been appointed Press Adviser to Foreign Minister Shishir Khanal with the rank and status of Secretary. He previously served as the founding editor of The Diplomat Nepal and has worked with Kantipur Daily and The Himalayan Times.

Kishore Thapa, Tribhuvan University Service Commission



Former government secretary and urban planner **Kishore Thapa** has been appointed Chair of the Tribhuvan University Service Commission. Professor Dr. Regina Maskey has also been appointed a member of the Commission.

Nepal Infrastructure Development Company



Engineer **Prabhakar Thapa** has been appointed Chief Executive Officer of Nepal Infrastructure Development Company following a recommendation by the company's selection committee.

Security Printing Centre



Devaraj Dhungana has been appointed Executive Director of the Security Printing Centre through a fresh appointment process. Dhungana previously served in the role after his appointment by the KP Sharma Oli led government in December 2024. His tenure ended in May 2026 following the enforcement of the Special Provisions Ordinance on the Removal of Public Office Holders, 2083. He has now returned to the position through a new government appointment process.

Constitutional Council



The Constitutional Council has recommended Supreme Court Registrar **Man Bahadur Karki** for appointment as Chief Election Commissioner. It also recommended Dr. Rajiv Subba and Guru Prasad Wagle for appointment as Election Commissioners.

Revenue Administration





The Ministry of Finance has appointed **Yamlal Bhusal** as Director General of the Department of Customs and **Dr. Bhishma Kumar Bhusal** as Director General of the Inland Revenue Department. Bharat Mani Pandey has been transferred out of the ministry, while Prem Prasad Acharya has been appointed Deputy Director General of Customs.

Emerging Nepal



The Ministry of Finance has nominated **Bharat Mani Pandey** to the Board of Emerging Nepal, replacing retired bureaucrat Than Prasad Panjnyani as its representative director.

Pashupati Area Development Trust



The government has appointed **Tirtha Shrestha** as Member Secretary of the Pashupati Area Development Trust.

NOTE: If you have new appointments, promotions, transfers and rejoining in your organization, send us the details with a picture of the employee concerned.

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PRANAV KUMAR GUPTA
IMF Resident Representative to Nepal

“The New Government Has an Opportunity to Advance Deeper Structural Reforms.”



The International Monetary Fund's (IMF) Extended Credit Facility (ECF) programme helped Nepal restore macroeconomic stability after a period marked by external financing pressures, political uncertainty and financial sector stress. With the successful completion of the four-year programme in June 2026, the focus is shifting from stabilization to sustaining growth through deeper structural reforms.

As Nepal enters a new political cycle under a single-majority government, policymakers face the challenge of translating restored macroeconomic stability into stronger investment, higher private sector confidence and durable job creation. Yet important vulnerabilities remain. Banks continue to grapple with rising non-performing loans and the findings of the recent Loan Portfolio Review, the cooperative sector requires stronger oversight and resolution mechanisms, Nepal remains on the Financial Action Task Force (FATF) grey list, and reforms to fiscal governance and central bank independence are still underway.

In this interview with *New Business Age*, IMF Resident Representative to Nepal Pranav Kumar Gupta discusses Nepal's economic outlook after the ECF programme, priorities for fiscal and monetary policy, banking sector risks, debt sustainability, the FATF reform agenda, governance reforms, amendments to the Nepal Rastra Bank Act, and how the IMF's engagement with Nepal will continue beyond the lending programme to support stronger, more resilient and private sector-led economic growth. *Excerpts:*

Q. It has been roughly two years since you arrived in Nepal. While the country has historically faced frequent political shifts, the March 2026 elections resulted in a smooth transition of power to a single-majority government. What is your assessment of Nepal's economic recovery during your tenure, and how do you expect this new political landscape to affect reform momentum and private sector confidence?

A. Yes, it has been about two years since I had the privilege of working in Nepal, and it has been a very rewarding and enriching experience. I have had the opportunity to witness significant developments and transitions across both the economic and political landscape. However, as you may have read in our recent staff report, frequent political changes have a risk of weighing on policy continuity and reform momentum. In that context, the smooth transition following the March 2026 elections is very encouraging, and I am optimistic about what this could mean for Nepal's economic future. The new government has an opportunity to advance deeper structural reforms and lay the foundation for stronger, more durable growth and better job creation. Greater policy stability should also help strengthen private sector confidence and support a gradual recovery in investment. Reflecting this improved outlook, we are projecting growth to pick up to around 4.6 percent in FY2026/27 and further to 5.3 percent thereafter. That said, the global environment remains highly uncertain, and Nepal is not immune to external shocks—including those stemming from geopolitical tensions, such as war in the Middle East. Overall, I would say I remain cautiously optimistic about Nepal's economic trajectory.

Q. Following the seventh and final review of the Extended Credit Facility (ECF) in June 2026, the IMF concluded that Nepal's performance has been broadly adequate despite

consecutive domestic and global shocks. However, the Executive Board stressed the paramount importance of a continued commitment to preserving macroeconomic stability. Moving past the ECF programme, what specific fiscal and monetary measures should Nepal prioritize to increase resilience against future shocks?

A. Let me take a step back. Nepal requested IMF support in 2022 at a time of rising balance of payments pressures, with a large current account deficit and declining reserves. Since then, the country has made good progress in restoring macroeconomic stability and implementing key reforms under the programme.

However, growth remains moderate and unemployment, especially among youth, remains high. The priority now is to preserve stability while reigniting growth. So, how should this be done? On the fiscal side, this means creating space for development and targeted social spending through stronger revenue mobilization and more efficient expenditure, for example, reducing tax exemptions and improving the execution of public investment. Timely capital spending and reconstruction can help boost domestic demand and support the recovery. On the monetary front, the Nepal Rastra Bank should continue strengthening liquidity management and the effectiveness of the interest rate corridor, including through more active open market operations and better liquidity forecasting. At the same time, the financial sector requires close attention. Rising non-performing loans and the recent Loan Portfolio Review highlight the need for adequate provisioning, timely loss recognition, and credible capital plans to rebuild buffers. Overall, the focus should be on maintaining stability while taking decisive steps to support inclusive growth and job creation.

Q. According to the IMF's updated Debt Sustainability Analysis, Nepal remains at low risk of debt distress, with public debt expected to peak below 50 percent of GDP in FY2025/26. However, to preserve long-term debt sustainability, the IMF has suggested upgrading the operational fiscal rule. What are your specific recommendations for a medium-term debt anchor and making Nepal's fiscal framework less discretionary?

A. Nepal has made important progress in strengthening its fiscal framework. However, there remains scope to further refine the framework and make it more rules-based and predictable. International experience suggests that the most effective fiscal frameworks combine a clear debt anchor with an operational fiscal rule. In fact, debt and budget balance rules are the most common forms of fiscal rules in Asia. Many peer countries, including India, Indonesia, and Cambodia, use fiscal rules that directly constrain budget deficits and public debt. By contrast, Nepal currently relies on ceilings on annual gross domestic borrowing and stock of external debt.

The problem is that rising debt amortization within a largely fixed gross borrowing ceiling can create financing pressures. Another challenge is that budget assumptions on growth and revenue are often optimistic, leading to mid-year spending adjustments that disproportionately affect public investment.

We have therefore recommended that Nepal consider moving from a gross to a net domestic borrowing limit, strengthen the realism of fiscal forecasting, and further develop its medium-term fiscal framework. Over time, Nepal could transition to a system that combines a medium-term debt anchor with an operational fiscal rule. Any such reform should be preceded by a comprehensive assessment to ensure that fiscal rules are appropriately calibrated and tailored to Nepal's specific circumstances.

Q. Nepal was added to the Financial Action Task Force (FATF) grey list in February 2025. While the authorities have accelerated legal and operational updates to the AML/CFT framework, the country remained on the list as of the mid-2026 review. What core actions must Nepal focus on to secure a swift exit, and what are the observed financial consequences of continued inclusion?

A. Under the recently completed IMF Extended Credit Facility arrangement, one of the key reform conditionality was to bring the Anti-Money Laundering Act in line with FATF international standards, which was successfully achieved in 2024. However, FATF assessments focus not only on the legal framework but also on its effective implementation, and remaining implementation gaps contributed to Nepal's inclusion on the FATF grey list. Since then, the authorities have accelerated reforms to implement the FATF Action Plan which includes issuing implementation procedures and sectoral guidelines for banks and payment service providers to implement UN Security Council Resolutions, increasing supervisory resources for the banking sector, and issuing directives for the real estate sector. We have been working closely with the authorities and several of these reforms have benefited from IMF technical assistance.

However, to secure a timely exit from the grey list, Nepal will need to maintain reform momentum. Key priorities include updating the National Risk Assessment, ensuring effective implementation of UNSCR, strengthening AML/CFT supervision across sectors, and enhancing investigative and supervisory capacity. The authorities are monitoring the economic impact of grey listing through a stocktaking exercise with banks and financial institutions, which is a welcome step. While the effects can vary across countries, prolonged grey-listing could increase compliance costs, complicate cross-border financial transactions, and affect investor perceptions. Encouragingly, the authorities remain fully committed to advancing AML/CFT reforms, and our objective is to support them in implementing the necessary measures swiftly and effectively, thereby enabling Nepal to exit the grey list at the earliest opportunity.

Q. The IMF has highlighted that non-performing loans (NPLs) rose to 5.4 percent in January 2026 and are indicated even higher by the recent Loan Portfolio Review (LPR). How severe is the underlying asset quality of Nepal's commercial banks, and how concerned should we be about capital erosion if supervision is tightened?

A. Indeed, NPLs are a concern and have increased even further with NPLs reaching 5.6 percent in April and are likely to increase further given weak credit demand, slower loan recovery, and weak

economic conditions. The recently completed Loan Portfolio Review also has shed light on the extent to which banks will need to reclassify loans and make additional loan loss provisions. The LPR findings suggest that Nepal's financial sector vulnerabilities remain concerning and require close scrutiny. Strengthening supervision, including greater scrutiny of loan classification, may lead to additional provisioning and capital needs in some institutions. However, recognizing and addressing problems early is essential for maintaining confidence and safeguarding financial stability. While the adjustment process may require some banks to strengthen provisions and capital buffers in the short term, it would ultimately support financial stability, enhance public confidence in the banking system, and lay the foundation for more sustainable economic growth.

Q. The LPR for the ten largest commercial banks has successfully concluded. What key strengths and systemic credit practice weaknesses did this audit reveal? Additionally, why is the IMF advising the Nepal Rastra Bank (NRB) to expand this intensive diagnostic approach to the remaining commercial banks?

A. The Loan Portfolio Review (LPR) of Nepal's ten largest commercial banks was a key conditionality under the IMF-supported ECF programme and was conducted in close collaboration with the NRB. The review provided both quantitative and qualitative insights into the health of the banking sector and represents an important step toward strengthening financial sector oversight.

On the quantitative side, the review identified loan reclassification and additional provisioning needs, suggesting that underlying asset quality remains weak. In response, the NRB, with IMF support, has prepared a post-LPR roadmap to ensure timely recognition of losses through any needed reclassification of impaired assets, higher provisioning where needed, and for banks to take the appropriate capital charges.

On the qualitative side, the review highlighted shortcomings in credit practices that could be addressed by strengthening credit underwriting standards, ensuring borrower adherence to loan terms and conditions, including repayment schedules, and taking prompt action to address payment arrears. The recently published NRB Bank Supervision Report also talks about loan rollover practices and instances where funds were transferred to accounts associated with directors or related entities shortly after disbursement, which indicates concerning practices in the banking sector. Hence, a key priority for the NRB should be to address these issues. Loans that have been artificially kept current through evergreening should be properly classified as non-performing, with banks required to maintain adequate provisions and capital against the associated risks.

More broadly, we have encouraged the NRB to incorporate the lessons from the LPR into its supervisory approach and move toward a more robust risk-based supervisory framework. Expanding this diagnostic approach to the remaining commercial banks would provide a more comprehensive assessment of asset quality



across the banking system, ensure the consistent application of supervisory standards, and support the timely identification and resolution of emerging vulnerabilities. Ultimately, these efforts would help create a more equitable, stable and resilient banking system by ensuring that credit is allocated towards financing of productive economic activities.

Q. The financial health of savings and credit cooperatives (SACCOs) remains highly challenging. While the newly established National Cooperatives Regulatory Authority (NCRA) is introducing a licensing and reporting regime, what is the IMF's view on the systemic risk these institutions pose, and what type of resolution framework is required to stabilize the sector?

A. SACCOs play a critical role in promoting financial inclusion in Nepal. They provide savings and credit services to many households, small businesses, farmers, and rural communities that may have limited access to commercial banks. However, as you

rightly noted, vulnerabilities in the SACCO sector have increased in recent years, making it important to strengthen oversight and address weaknesses in its financial health.

The establishment of the National Cooperatives Regulatory Authority (NCRA) is an important step forward. The NCRA has begun developing a licensing regime, reporting requirements, and regulatory standards for the sector, and it is expected that a large number of SACCOs will choose to be licensed over the medium term. This should improve transparency, strengthen oversight, and enable closer monitoring of institutions' financial conditions. However, it will also be important to establish a comprehensive resolution framework for distressed institutions. Removing persistently weak institutions is critical for protecting depositors, restoring confidence, and improving the overall stability of the sector.

Q. The submission of draft amendments to the Nepal Rastra Bank Act to Parliament was set as a crucial prior action for this review. While these amendments introduce important safeguards, the IMF notes they still fall short of best practices regarding institutional autonomy—specifically pointing to the Finance Secretary's continued presence as a voting Board member. Could you elaborate on how these structural vulnerabilities might hinder the central bank's independence?

A. Central bank governance is a multidimensional concept built on four interrelated pillars: a clear mandate, institutional autonomy, transparency and accountability, and sound decision-making structures. Together, these elements enable a central bank to pursue its objectives credibly and effectively. The draft amendments to the NRB Act, which were recently submitted to Parliament, represent an important step forward and seek to strengthen each of these pillars. We are encouraged to see the healthy public and parliamentary discussion surrounding several aspects of the amendments. These amendments introduce significant improvements to the NRB's mandate, governance and oversight, financial and operational autonomy, and transparency and accountability. They also include important enhancements to the bank resolution framework.

That said, international experience shows that central bank autonomy is most effective when monetary policy and supervisory decisions are insulated from short-term political considerations. For this reason, international best practice generally favors limiting the role of government representatives in central bank decision-making bodies. In Nepal's case, despite retaining the Finance Secretary on the Board, the proposed amendments introduce several safeguards that would significantly strengthen the NRB's autonomy, including increasing the number of Board members and disqualifying government and public-sector officials and employees from Board membership. These reforms would reduce the risk of undue influence and reinforce the NRB's operational independence.

While there is always scope for improvement, the draft amendments represent a major step forward in modernizing Nepal's central bank law and strengthening institutional governance.

Q. The IMF has launched a Governance and Corruption Diagnostic (GCD) for Nepal—making it only the second country in the Asia-Pacific region to undergo this exercise. What structural deficiencies prompted this comprehensive diagnostic, and how can its findings be synthesized into a sequenced national action plan?

A. The GCD was conducted at the request of the Government of Nepal and represents an important milestone in Nepal's partnership with the IMF to strengthen governance, reduce corruption vulnerabilities, and support sustainable and inclusive economic growth. The GCD is designed to assess governance weaknesses that are macro-critical, meaning they have a significant impact on economic performance, fiscal sustainability, the business and investment climate, and public trust in institutions. Rather than focusing on individual cases, the diagnostic examines the strength of institutions, legal frameworks, policies, and governance practices across a wide range of areas. Its objective is to identify vulnerabilities and provide concrete, prioritized, and well-sequenced recommendations to address governance and corruption risks that may be constraining Nepal's development.

In Nepal, the GCD mission took place in early May and involved a very comprehensive review of governance frameworks across multiple sectors. The IMF team is currently preparing the report, which is expected to be shared with the authorities in the coming months.

Typically, countries use the findings and recommendations of a GCD as the basis for developing a national governance reform action plan, with clear priorities, sequencing, and implementation responsibilities. In Nepal's case, I believe the diagnostic comes at a particularly opportune time. The government has a strong reform mandate and a unique opportunity to advance a transformative governance agenda that can strengthen institutions, improve transparency and accountability, foster private investment, and ultimately support stronger and more inclusive medium-term growth.

Q. Now the IMF ECF arrangement with Nepal has successfully ended, how will the IMF engagement with Nepal continue?

A. While the IMF-supported ECF arrangement has successfully concluded, the IMF's engagement with Nepal remains strong and will continue across several dimensions. Going forward, we will continue to engage closely with the authorities through the Post-Financing Assessment framework, standard Article IV consultations, and ongoing capacity development and technical assistance. In the near term, a key priority will be completing the Governance and Corruption Diagnostic Report, which is currently underway and is expected to be shared with the authorities in the coming months. We have built a strong partnership with Nepal over the past 65 years, since Nepal joined the IMF in 1961, and we look forward to continuing this partnership as Nepal advances reforms to strengthen macroeconomic stability, enhance financial sector resilience, and foster higher, more inclusive, and sustainable growth. ■



MADAN LAMSAL

Surgery on the Constitution



The debate over amending the Constitution has started all over again in Nepal. Hearing this, I felt relieved. Because this Constitution has prevented the country from developing! Once it is amended, development will surely start racing ahead at full speed.

At least one thing remains regular in our country; something or other is always changing. Sometimes it is the government. Sometimes the coalition. Sometimes the ideology. Now, apparently, it is the Constitution's turn. The only thing that is stable in Nepal is instability. Everything else is still under experimentation. The Constitution was called a national document. Apparently, it is not. It is a mobile app. The Gen Z era figured that out perfectly. It needs updates from time to time.

The Constitution, too, seems to be rather lucky. It has started getting health check-ups after completing just about 10 years. Ordinary citizens often have to wait years to get a proper medical check-up. Politicians are deeply concerned about the health of the Constitution. The people's health, however, comes to mind only on the day of the budget speech. After all, if the Constitution falls ill, politics falls ill. If the people fall ill, we can always wait until the next elections! Sometimes I wonder if the Constitution is actually sick, or if it only looks sick because there are too many doctors examining it. There is only one hospital but thousands of specialists. Everyone's stethoscope is pressed against the chest of the same unfortunate Constitution. What do you think would happen if that many doctors stuck that many stethoscopes to your chest?

It is said that the Constitution was very well written. The more you read it, the more convinced you become. It talks about the rule of law. Social justice. Equality. Accountability. Fundamental rights. The supremacy of the citizen…and what not? It is only when you look out of the window after reading it that you get a little confused. The Constitution shows you one Nepal. The streets show you

another!

Nepal has its own distinct democratic diversity of opinion on why the Constitution needs to be amended. Some say the electoral system has to be changed. Others want to change the form of governance. Some want to revisit federalism. Others want to reform the judicial system. Some say the problem lies in the system. Others say the problem lies not in the system but in the behaviors of those who are supposed to run it. In Nepal, rules are never guilty. Neither are those who write the rules. Nor those who implement them. The guilty party is always the circumstances. If the circumstances are not found, blame the previous government. If that too doesn't work, blame history!

Nowadays, most of the interpretation of the Constitution is done not by constitutional experts and scholars, but by television panelists. Around seven or eight in the evening, the articles of the Constitution get prime time exposure. One person says an article will save the nation. Another says the very same article will sink it. The audience listens to both of them in agreement while sipping tea. Because in Nepal these days, you don't necessarily need better argument. A louder voice will do!

What is even more interesting is that there are fewer people who have read the Constitution than those who demand amendments to it. Some have probably never read even the entire preamble, but their confidence about which articles to remove, which to add, and which to reverse is amazing. If the confidence available in Nepal could be exported, we could earn much more foreign currency than the Nepal Rastra Bank currently has.

The Constitution is implemented in a special way in our part of the world. It is cited when convenient. When inconvenient, it is rescued, or perhaps, conveniently bypassed! All political parties are ready to protect the Constitution, particularly the articles that suit their own interests. The remaining articles can take a little rest in the name of national interest!

The Constitution talks about the balance of power. Experience teaches the art of concentrating power. The Constitution says, strengthen the institutions. Politics says, strengthen the individual first. That is why, in our democracy, some individuals stand taller than institutions. Cut-outs look bigger than buildings!

There is also a lot of talk about the rule of law. Hearing that the law is equal for everyone is deeply reassuring. Then, you watch the news and discover that equality, too, comes in different levels. An ordinary citizen sits in jail and faces a legal case. An influential citizen lies comfortably in a five-star hospital cabin while receiving updates on the case. Even more influential citizens make it all the way abroad. And the law patiently runs after everyone. Our law is remarkably civilized and tolerant. It is never in a hurry.

The Constitution makes elected representatives accountable to the people. Therefore, before the elections, the people's representatives visit the people's homes. After the elections, even if the people can reach the secretary of the representative, they feel that democracy has succeeded. Even distance has become institutionalized. That is, our democracy has matured.

When federalism enters the conversation, an even more beautiful picture emerges. The Center says: "We have given you the authority!" The provinces say: "It has not arrived." The local governments say: "The budget has not arrived." The people say: "The services have not arrived." Everyone is right in their own place. This, then, is our democratic federalism. Responsibility trickles downward. Authority gets stuck at the top. And services end up caught in a traffic jam somewhere in between!

Political parties are also very committed to the Constitution, especially when they are in opposition. Once they come to power, however, the circumstances begin to look more important than the Constitution. What seemed unconstitutional yesterday begins to look practical today. A decision that was considered a murder of democracy yesterday becomes a national necessity today. Nepali politics is very liberal and generous. It considers change of opinion not as opportunism, but as experience.

There are many fundamental rights in the Constitution. Education, healthcare, employment, social security. When you read it, you feel that being a citizen is a great achievement in itself. When you try to study the process of actually obtaining those rights, you feel you need to earn another degree! The language of rights is simple. The path to those rights is a bit technical.

Sometimes, though, you feel that there is nothing wrong with the Constitution. It is we who have the problem. The Constitution is sitting peacefully inside a book. We are the ones who drag it onto the stage from time to time. Someone pulls it from the right. Someone else from the left. Someone pulls from above. Someone else from below. The poor Constitution must sometimes wonder: "Can't you let me live for a while? Why am I being pulled from every direction all the time?"

If the Constitution must be amended, then by all means, let it be amended. The Constitution is not a holy scripture. Reforms are necessary over time. But I have a small proposal. Before amending the Constitution, let's add one more article: anyone proposing a constitutional amendment must first have read the entire constitution at least once! What should change - the Constitution or the habit of not behaving according to the Constitution? Should the articles be corrected or our character? Should the system be improved or our behaviour?

Otherwise, tomorrow we will again hear loud demands for yet another amendment. And when that happens, we will once again arrive at the same conclusion: the Constitution has been changed, but we forgot to update the software that runs it! ■



Arjun Ghimire

LEADING TELECOM THROUGH TURBULENCE

Arjun Ghimire takes over as chairman of the Nepal Telecommunications Authority (NTA) at one of the most challenging moments in the country's telecom history. His appointment has been clouded by questions over the transparency of the selection process after the Cabinet approved his nomination before interviews with all shortlisted candidates had concluded. Critics have also questioned the exclusion of several experienced telecom professionals from the final shortlist, casting doubt on the merit-based process the government had promised.

Ghimire who joined the NTA in 2003 as an Assistant Director has spent more than two decades within the authority. His five-year term begins with a demanding agenda. The NTA must restore confidence in a sector weighed down by regulatory uncertainty, legal disputes and declining investor confidence. Immediate priorities include resolving the Smart Telecom liquidation, determining the future of United Telecom Limited, preparing Nepal for 5G and rewriting the country's nearly three-decade- old Telecom Act to accommodate artificial intelligence, the Internet of Things and other emerging digital technologies.

Perhaps the defining challenge of Ghimire's tenure will be the future of Ncell, whose 25-year operating licence expires in 2029. Decisions on licence renewal, foreign investment, asset ownership and regulatory certainty will have implications far beyond the country's largest private telecom operator, shaping Nepal's wider investment climate. His legacy will ultimately be judged less by the controversy surrounding his appointment than by whether he can restore confidence, strengthen regulation and provide the policy certainty Nepal's telecom sector has long lacked. ■

THE LONG FLIGHT BACK



Maheshwor Bhakta Shrestha

More than three decades after leaving Nepal Airlines Corporation, Maheshwor Bhakta Shrestha has returned to lead the troubled national carrier at one of the most difficult moments in its history. Appointed at nearly 80 years of age, he has become one of Nepal's most closely watched public sector leaders. Shrestha is no stranger to the national flag carrier. He spent 25 years at Nepal Airlines, rising from a planning specialist to Corporate Director before leaving in 1992 during the government's workforce reduction programme.

His return comes at a critical moment for Nepal Airlines. Nepal Airlines is facing its worst financial crisis in decades, burdened by mounting debt, liabilities that exceed its assets, delayed engine overhauls and a shortage of spare parts that have left aircraft grounded. Its international market share has fallen from 25% to 11% in just four years. His immediate priority is to transform Nepal Airlines from a statutory corporation into a company, a long-delayed reform that successive governments have failed to deliver. He argues that meaningful operational and financial improvements will be impossible under the current structure. Whether he succeeds will depend less on his aviation credentials than on whether successive governments finally grant Nepal Airlines the autonomy needed to implement reforms that have been delayed for decades. ■

FAST TRACK TO THE TOP



Govinda Bahadur Karki

Govinda Bahadur Karki has become Nepal's new Chief Secretary after one of the fastest rises through the senior ranks of the civil service in recent years. Before his appointment, Karki headed the Governance Division at the Prime Minister's Office, where he played a key role in preparing the government's 100-point governance reform agenda approved on the day PM Balendra Shah took office. A native of Bhojpur, Karki joined the civil service in 1996 and was promoted to Secretary in September 2024. Less than two years later, he has risen to the country's highest bureaucratic office. His career has included senior roles at the Ministry of Industry, Commerce and Supplies, service as Nepal's Consul General in Lhasa, and secretary level positions in Koshi and Bagmati provinces.

His appointment has reignited debate over political influence in selecting Nepal's Chief Secretary. Although the Cabinet has constitutional authority to make the appointment, successive governments have frequently bypassed more senior officials. Ranked 18th among serving secretaries, Karki is the latest beneficiary of that long-established practice. Critics argue the decision sits uneasily alongside the Balendra Shah-led government's commitment to merit-based administrative reform. Supporters, however, say Karki's experience in administrative reform and his leading role in restructuring government make him well qualified for the post. ■