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ALIGNING

Principle, Practice & Performance



AAMO

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Government of Nepal

MINISTRY OF FINANCE

Singhadurbar
kathmandu, nepal

Rameshore Prasad Khanal
Finance Minister

I extend my warm congratulations to the Management Association of Nepal (MAN) on the occasion of its 45th National Management Convention and the release of its flagship publication, **BYAVASTHAPAN**.

I take this opportunity to personally acknowledge the contribution of this esteemed organization, where I also previously served as President from 2063-65 B.S., toward strengthening management practices in Nepal. Under its leadership, MAN has consistently played a pivotal role in promoting professional excellence, advocating for sound management policies, and fostering innovation and development in both the public and private sectors.

Established in 1979 as the apex body of management professionals with the active support of the corporate sector, MAN has, over the decades, collaborated closely with the Government of Nepal to shape management policies and institutional practices. Effective management remains critical to improving performance and delivering results, which is essential for achieving sustainable development, equity and inclusivity, objectives that remain at the heart of the government's agenda.

Undoubtedly, management expertise offers mutual benefits to both the government and private sector by enhancing performance- and results-based delivery. Both sectors should collaborate in this endeavor to foster effective practices, develop essential skills and share knowledge across their respective domains.

I wish that MAN's partnerships with regional and global networks, such as AAMO and other professional bodies, further facilitate the transfer of modern practices to ensure meaningful contributions. I am confident that MAN will continue to undertake various value-added initiatives, including training and development, policy advocacy, research and innovation.

I wish MAN continued success in all its future endeavors.

Rameshore Prasad Khanal

January 20, 2026

MESSAGE FROM THE PRESIDENT



The Management Association of Nepal (MAN) has matured through a 45-year legacy, consistently striving to excel in management practices, enhance professionalism, and promote the vital importance of management to individuals and institutions. We collaborate with the government and various stakeholders, including international management networks, to foster professionalism, performance-driven practices, and a socially responsible work culture. Through persistent advocacy, MAN has played a pivotal role in shaping and advancing the management landscape within the country.

As the apex body for management professionals, MAN partners with policymakers, the private sector, think tanks, academia, development partners, media, and civil society. It serves as a vibrant platform for discussing emerging trends and strategies to navigate complex challenges. With a membership exceeding 5,000 across individual, institutional, and life-member categories,

MAN continues to thrive through the collective efforts of our members. I am proud to highlight our strength, which is a network of outstanding performers, elite managers, experts, and top academicians serving in diverse capacities.

As the country aspires for change, only effective management can deliver meaningful results. Transparency, accountability, and governance are strengthened through sound management, and MAN remains committed to collaborating with both public and private sector organisations to introduce proven management principles and practices that drive performance. In this endeavour, our institutions must stay mindful of global trends, adapt to evolving practices, and contribute to shaping the nation's future. We consistently encourage the creation of new knowledge within the management domain and the dissemination of our best practices worldwide through MAN's international networks.

On the occasion of the 45th National Management Convention, it gives me immense pleasure to present the 45th edition of our flagship publication, the 'Byavasthapan Journal'. This edition emphasises the alignment of principles, practices, and performance, serving as a primary reference document for academia, management professionals, practitioners, and research scholars within the fields of management and economics.

We are pleased to feature such a diverse selection of research-based articles contributed by management practitioners, scholars, and professionals from both our country and various parts of the globe.

We sincerely express our gratitude to all the journal's contributors, whose efforts have made this issue exceptionally special and relevant within the current context.

Our special thanks go to the dedicated editorial team behind this year's journal for their hard work.

I take this opportunity to express my gratitude to the MAN Executive Committee, Provincial Committees, and the Secretariat for their valued support in this endeavour.

Mohan Raj Ojha

President

Management Association of Nepal

MESSAGE FROM AAMO PRESIDENT

Dear Esteemed Members of the Management Association of Nepal,

It is both an honour and my utmost pleasure to extend this message of solidarity and encouragement as the President of the Asian Association of Management Organisations(AAMO) , on the occasion of the publication of the flagship Annual Journal of the Management Association of Nepal (MAN).

This publication has rightly earned its reputation as a cornerstone of management thought and practice within Nepal and across Asia. Each year, it serves as a vital platform for exchanging innovative ideas, rigorous researches, and practical wisdom that addresses the unique challenges and opportunities we face. The consistently high quality of its contents is a testament to MAN's unwavering commitment to elevating the standards of management and leadership.

The theme of resilience and adaptive leadership continues to resonate profoundly across Asia. In an era marked by rapid technological disruption, geopolitical shifts, and the imperative for sustainable development, the role of enlightened management has never been more critical. The articles curated within this journal delve into the very heart of these issues - exploring evolving management principles, performance enhancement strategies, and ethical frameworks that are essential for building organisations that are not only successful but also responsible and enduring.

MAN's proactive efforts in fostering professional development and facilitating knowledge exchange exemplify the collaborative ethos that AAMO champions. As a body of management organisations across Asia, AAMO is deeply committed to strengthening the bonds between our member associations, and MAN is a valued and proactive partner in this mission.

I commend the MAN for its exemplary work in producing this significant publication. Your dedication to scholarly and professional excellence is what makes this journal an indispensable resource.

May this Annual Journal inspire robust discussion, spark innovation, and provide actionable insights for leaders, managers, and academics alike. Let us continue to learn from one another,

share our experiences, and collectively advance the science and art of management for the

prosperity and wellbeing of our societies.

With best wishes for a successful publication and continued collaboration.

Sincerely,

Raymond Bao

President, Asian Association of Management Organisations

15th January, 2026



ABOUT THE JOURNAL

As part of MAN's ongoing commitment to publishing the annual 'BYAVASTHAPAN' journal, we are pleased to present this comprehensive collection to our valued members and esteemed guests at the 45th National Management Convention.

Commemorating 45 years of this institution, this latest edition of 'BYAVASTHAPAN' features a diverse range of articles curated to serve as a vital resource for policymakers, management professionals, academia, and researchers.

This year's journal centres on the theme '**Management: Aligning Principle, Practice and Performance.**' It showcases well-researched insights into critical areas including Management, Information Technology, Business, Economics, Sustainable Development, Climate Change, Social Equity, and Inclusive Development.



This journal results from the dedicated efforts of management practitioners, professionals, contributors, and our extensive network at both home and abroad. We trust that readers will find these pages insightful, helping to enrich their knowledge of proven management principles and practices essential for driving performance.

I take this opportunity to express my gratitude to all our contributors, the editorial team, the designer, and the printers who worked to produce this wonderful publication. I also wish to extend sincere thanks to our sponsors for their generous support since the journal's inception.

Finally, I would like to acknowledge the MAN Executive Committee, our members, advisors, guests, and well-wishers for their active involvement in this convention, ensuring its grand success.

Thank you.

Indra Kumar Shrestha

Secretary General

Management Association of Nepal

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PROFILE

Management Association of Nepal (MAN)

Management Association of Nepal (MAN) was established in 1979 as an apex body of management professionals with the active support of the corporate sector in Nepal. Being a national non-profit and non-partisan membership-based professional organization, MAN has been an important forum for developing management professionalism and a performance-oriented as well as socially responsible work culture in the country.

MAN is a founding member and council member of the Asian Association of Management Organizations (AAMO) where Sri Lanka, Hong Kong, Macau, India, Malaysia, Pakistan, Philippines, New Zealand, Australia and Korea are the co-partners. It has also close links with a number of well-known professional bodies like the American Management Association (AMA), All India Management Association (AIMA), North India Management Association (NIMA) and PHD Chamber of Commerce and Industry, New Delhi.

The Vision of MAN

Promote professionalism for management development

The Mission of MAN

Facilitating management development process directed towards performance-oriented

work systems, culture and practices through interactions, services and networking.

Objectives

The main objective of MAN, as stated in its charter, is to apply, develop, and promote management science and make necessary arrangements to offer such knowledge in Nepal. In conformance with such objectives and the vision and the mission as stated above, the strategic objectives have been set as:

- To bring professionals and institutional-related management development under one umbrella through networking to facilitate interaction, innovation and proactive involvement in promoting management professionalism.
- To consolidate management development through management education, training research, consulting and information services
- To keep members informed of new developments in professional management approaches and their uses

Strategic Intent

MAN intends to promote productive, competitive and socially responsible management culture that will help management professionals and organizations grow and prosper.

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HISTORY

A Journey of Four Decades and More



Erstwhile Prime Minister Krishna Prasad Bhattarai inaugurating the National Management Convention



Erstwhile Prime Minister Girija Prasad Koirala unveiling MAN's publication



Erstwhile Prime Minister Lokendra Bahadur Chand and other guests during the fourth convention of MAN





Erstwhile President Dr. Ram Baran Yadav gracing 28th National Management Convention as the Chief Guest





Prime Minister KP Sharma Oli at MAN National Convention 2019.



Erstwhile President Bidya Devi Bhandari awarding Gyanendra Dhungana with the 'Manager of the Year' award.

Management Association of Nepal (MAN) was established in 1979 as the apex body of Nepali management professionals with the active support of the corporate sector in the country.



The first AAMO Council Meeting in 2017





Erstwhile President of AAMO Dato' Ng Tieh Chua (second from left) at the Second Council Meeting of AAMO in Kathmandu in October 2018.

Former Malaysian Prime Minister Mahathir Mohamad (second from right) at the AAMO Council Meeting.



Erstwhile Finance Minister Yuba Raj Khatiwada releasing the 'Byavasthapan' Journal 2019.

MADHUKRISHN ADHIKARI
SECRETARY, MAATI, USA

HON'BLE FINANCE MINISTER
SRI. YUBA RAJ KHATIWADA
MAATI, KATHMANDU

HON'BLE KUSHIL BHAKTA
PRESIDENT, MAATI
KATHMANDU, NEPAL

SRI. BIMAL PRASAD KOSMAL
SECRETARY, MAATI
KATHMANDU, NEPAL



Networking Eve and Gala Dinner of 2nd AAMO Council Meeting.



Erstwhile Deputy Prime Minister Bijaya Gachhadar (second from left), at the MAN National Convention.

Management Association of Nepal (MAN) was established in 1979 as the apex body of Nepali management professionals with the active support of the corporate sector in the country.

Being a national non-profit and non-partisan membership-based professional organization, MAN has been an important forum for developing professionalism in the area of management as well as a socially responsible work culture in the country.



Former Vice-Chair of NPC Dr. Pushpa Raj Kandel (right) accepting invitation of MAN Convention

It has a strong membership base of over 4,142 life, individuals and institutions from different disciplines and sectors of the Nepali economy and society. Over the year, MAN has emerged as a prominent center for the promotion of productive, competitive, and socially responsible management culture in the country.



Erstwhile MAN Executive Committee members with then Prime Minister Sushil Koirala

The establishment of MAN was guided by two issues - the scarcity of management professionals and a weak entrepreneurial spirit in the country.

Initially, an ad hoc committee was formed by a few members including Jagadish Agrawal, Chandra Man Pradhan, Pradip Raj Pandey, Madhukar Shumsher JB Rana, Jagadish Upadhaya and Sabitri Thapa, and others. They agreed to nominate Nanda Lal Joshi, former Secretary as the first President.



Former MAN President Sushil Bhatta (second from left) with the CEO of Australian Institute of Management

In the initial stage, MAN was dominated by executives of public enterprises and government officials. Later it was agreed to change the MAN's structure and functions. Subsequently, MAN opened wider membership which helped the





The first Council Meeting of AAMO in Malaysia in 2017.

organization to become larger and more effective. Ajit Narayan Singh Thapa was the first elected President of the MAN.

Currently, the members of the MAN include eminent personalities and professionals who have contributed to the policy level of the country and distinguished people who have contributed in various fields.

As an umbrella organization of the managers of Nepal, MAN has been providing policy inputs to the government as an expert group through a series of



MAN Secretary General Mohan Ojha (left) with the President of Hong Kong Management Association.



activities that include pre-budget, post-budget and pre-monetary policy discussions.

Besides, the association has also been conducting CEO conferences, national management conventions, and management award programs. The certification by the Management Association of Nepal (MAN) is valid in Nepal and the

MAN Press Conference for National Management Convention 2017.



Asian Association of Management Associations (AAMO) network countries. It has also close relation with Australian Institute of Management (AIM), All India Management Association (AIMA), and Malaysian Institute of Management (MIM), Institute of Management of Sri Lanka (IMSL), Australian and New Zealand Academy of Management (ANZAM), Hong Kong Management Association (HKMA), Management Association of Pakistan (MAP), Japan Management Association (JMA) and Macau Management

Association (MAM). These links help MAN to have access to information on the best management practices and techniques available in other parts of the world. It has also formed close links with a number of well-known professional bodies like the American Management Association (AMA),

MAN officials at the concluding session of 35th National Management Convention.



Management Development Centre (MDC)

The Management Development Center (MDC) was established in 2006. The notion of establishing the Management Development Center was expanding the MAN's role as the think tank for nation-building. Dr. Bimal Koirala was instrumental in establishing the Management Development Center. Later, it was agreed to transform the Management Development Center into a development campus. Subsequently, the Management Development Center was redefined and transformed with an



additional role as Management Development Campus.

The campus currently runs the executive MBA course. The two-year Master's program is affiliated with Purbanchal University. The program carries a total of 69 credit hours and is divided into four semesters.

The graduates of the campus are currently working in numerous private and government organizations.

Partnership with AAMO

With an objective to expand its reach beyond Nepal, MAN has formed strategic relations with various international organizations. One such partnership is with AAMO.

AAMO is a partnership of National Management Organizations (NMO) in the Asia Pacific region whose purpose is to share and actively leverage resources to enhance the achievement of their respective missions.

AAMO is an independent, non-political, and not-for-profit association of NMO, which promotes, facilitates and supports the development of professional management in the Asia Pacific Region. Nepal is one of the founder members of AAMO along with other nations where Australia, Hongkong, India, Malaysia, Macau, New Zealand, Philippines, and Sri Lanka are others.



A Framework for AI Incorporation in Civil Service Decision Making in Nepal



■ Anju Mishra

Abstract

In the context of the National AI Policy 2081 adoption for the Government of Nepal, public sector leaders are shifting from conventional administrative governing to data-informed strategic decision-making. This article focuses on how Artificial Intelligence (AI) could supplement the thinking process of gazetted officers. The paper articulates a 'Human-AI Synergy Framework' that integrates the contemporary leadership theories and employs AI's predictive analytics for implementation-oriented policy making in the bureaucracy of Nepal. The researchers contend that there is a need to move away from the 'command-and-control' model of AI success and toward integration.

Introduction

Toward AI-Empowered Governance in Nepal: Steering the Transition

The model of governance in Nepal is transforming at the very core, from a traditional 'paper-based' bureaucracy to a 'data driven, AI enabled' model. With a tradition of paper-based documentation and top-down communication, the civil service in Nepal has traditionally been stable, yet is faced with inefficiencies, data fragmentation, slow performance and sluggish public service delivery. A strategic pivot toward digital modernisation is now essential, as the rapid global advancement of Generative AI and predictive analytics accelerates.

The Government of Nepal has responded to this technological shift with a series of ambitious policy frameworks. The Digital Nepal Framework 2019, and its subsequent evolution into DNF 2.0 (2025), laid the groundwork for a unified digital ecosystem across eight key sectors, including governance and finance. This transition reached a significant milestone with the formulation of the National Artificial Intelligence Policy 2081 (2025). This landmark policy moves beyond basic digitisation, envisioning AI as a 'transformative force' for national productivity and ethical governance.

The National AI Policy 2081 states that the government intends to use AI through platforms like the Nagarik App to improve the responsiveness of public administration, automate documentation, and expedite the distribution of social welfare (MoCIT, 2025). For senior executives, however, the transition from a traditional mindset to 'Adaptive Algorithmic Leadership' poses a substantial challenge. There is an urgent need for leaders who can balance human intuition with machine-driven intelligence as Nepal strives to close its digital divide. In order to ensure that AI-enabled governance stays inclusive, transparent, and morally consistent with the sociopolitical context of federal Nepal, this article examines how senior female leaders in particular can manage this shift.

The Leadership Gap: The Weight of Data Overload and Cognitive Limitations

Senior executives in Nepal's public

administration, particularly Joint Secretaries and Secretaries, are increasingly faced with a phenomenon called ‘Bounded Rationality’. This idea, which was first put forth by Herbert Simon, contends that human decision-making is intrinsically constrained by the information at hand, the mind’s cognitive limitations, and the limited time available to make a decision. These restrictions are made worse in 2025 by two main factors: data overload and cognitive biases.

1. The Bias in Cognition Resource Allocation Trap

Senior officials frequently use ‘heuristics’ – mental shortcuts that speed up decision-making but frequently result in systematic mistakes. Three particular biases are common in the competitive ministry-level resource allocation environment:

- **Accessibility Heuristic:** While ignoring statistically significant long-term infrastructure needs that lack immediate salience, officials may give funding priority to projects that are most ‘vivid’ or recently covered in the media (such as immediate disaster relief).
- **Confirmation Bias:** When assessing the effectiveness of a particular policy or programme, leaders frequently look for information that supports their preexisting opinions or political directives, unintentionally ignoring contradicting data that points to the need for a tactical change.
- **Anchoring Bias:** During budget negotiations, officials often ‘anchor’ their decisions to the previous year’s figures (Incremental Budgeting), making it difficult to reallocate resources to innovative or technology-driven sectors that require a departure from traditional financial baselines.

2. Information paralysis and data overload

The amount of data entering the Ministry of Women, Children and Senior Citizens – from social security tracking to GESI audit reports

– has increased to an unprecedented level since the Digital Nepal Framework was put into place. Although ‘Big Data’ is meant to support governance, it frequently results in ‘Information Overload’, where the sheer amount of data surpasses a human leader’s capacity for cognitive processing.

This causes decision fatigue in a secretary who is responsible for allocating complicated resources. When faced with thousands of data points regarding provincial needs, the human brain tends to revert to ‘satisficing’ – choosing the first acceptable option rather than the optimal one. This gap between the *availability* of data and the *utility* of that data creates an efficiency deficit that can only be bridged by Artificial Intelligence.

3. The Imperative for AI Augmentation

In Nepal, the leadership gap does not arise out of a lack of competence but from an intersection between the structure of human cognition and an architecture that modernity has created around data. Navigating the National AI Policy 2081, senior officers are expected to treat AI not as the replacement of human judgement but as a cognitive prosthetic. AI, by automating pattern recognition and identification of bias within vast datasets, frees the leaders’ cognitive bandwidth for high-level ethical judgement and negotiation – areas where human leadership remains irreplaceable.

Challenges and Ethical Safeguards

Implementing AI into Nepal’s bureaucracy presents considerable threats, especially for data sovereignty and algorithmic transparency.

The ‘Black Box’ Problem

Many AI models are opaque. In a democracy such as Nepal, where the ‘Right to Information’ is a constitutional pillar, we may question, whether using ‘black box’ algorithms for allocation of public resources can be legally contested. The National AI Policy 2081 must mandate Explainable AI (XAI) where every automated recommendation can be traced back

to logic understandable to a human auditor.

Digital Divide and Federal Friction

AI may have a tendency to maintain the centralisation of operations at Singha Durbar, further distancing it from provincial and local governments. The framework suggests a decentralised AI infrastructure where local units (Palikas) would send data to a central engine but maintain the autonomy to interpret findings based on local cultural contexts.

Implementation Roadmap Beyond 2081

The Ministry of Federal Affairs and General Administration (MoFAGA) needs to undertake the following actions based on the policy into practice:

1. AI Training Modules: The new and promoted gazetted officials will learn the mandatory training from the National Administrative Staff College (NASC) and include AI ethics and basics of data science in that training module.

2. AI Testing Project in the Social Welfare Sector: The AI would be used to re-organise Social Security Allowances to minimise and do away with the ghost recipients in the area, as well as to facilitate the early flow of funds to the most distant districts.

3. Ethics Committee Formalisation: A multi-disciplinary committee oversees AI deployment in the federal Nepal context while ensuring that the deployment is indeed socio-politically valuable to federal Nepal.

Implementations Road Beyond 2081

The Ministry of Federal Affairs and General Administration (MoFAGA) needs to act upon the following:

1) Introduce AI Training Modules: Require the Department of Administrative Staff at NASC to mandate that all new recruits or promoted gazetted officers complete essential readings on AI ethics and basic data science.

2) AI Pilot Project within Social Welfare: AI shall be leveraged to manage Social Security

Allowances to minimise and eradicate ghost recipients while ensuring the expedited delivery of funds to the most remote districts.

3. Ethics Committee Formalisation: A multi-disciplinary committee will oversee adoption of AI in the context of federal Nepal. Each implementation must guarantee that it contributes sociopolitical value to federal Nepal.

Conclusion

The Future of Digital Bureaucrat

Transitioning from a 'command-and-control' hierarchy to an AI-augmented civil service is essential for the 21st century. A Human-AI Synergy Framework could assist Nepal in transcending cognitive biases and data overload, which are core obstacles to efficient public service delivery.

The objective is not to create a 'robotic' government, but to empower human leaders with analytical tools to become more compassionate, efficient, and evidence-based. Senior executives will lead with AI, rather than trailing behind it, governing the success of the Digital Nepal vision as they navigate the complexities of 2025.

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Inclusive Finance in the Age of Artificial Intelligence: Promise, Risks, and Policy Choices

■ Dr. Bharat Singh Thapa

Introduction

Financial inclusion has become a cornerstone of global development policy, grounded in the recognition that access to appropriate financial services is fundamental to poverty reduction, economic participation, and social resilience. Financial inclusion encompasses access to, usage of, and quality of financial services delivered in a manner that is affordable, transparent, and protective of consumers. According to the World Bank (2025), financial inclusion is not merely about owning a bank account but about enabling meaningful usage that enhances financial security and opportunity. As digital technologies expand rapidly, financial inclusion strategies have increasingly relied on innovation to overcome traditional barriers related to cost, distance, and information asymmetry. The World Bank emphasises that true inclusion requires more than physical or digital access; it demands trust, financial capability, and products tailored to diverse needs. Without these dimensions, formal access may not translate into meaningful economic participation of underprivileged communities.

Nobel Laureate Prof. Muhammad Yunus insisted that financial inclusion is not an act of charity, but a question of justice – systemic exclusion from financial services is a violation of basic human rights. Encouragingly, the World Bank's

Global Findex Database (World Bank, 2025a) highlights substantial momentum: global account ownership has climbed from 51% in 2014 to 79% in 2024, signalling meaningful progress over the past decade. However, still 1.3 billion adults remain unbanked, and millions more are only nominally included, holding accounts that are infrequently or never used. Again, there are high disparities, particularly among women, rural populations, and low-income households. In this context, Artificial Intelligence (AI) has emerged as a potentially transformative force.

AI is increasingly embedded in financial services, raising a critical question: Does AI meaningfully enable financial inclusion, or does it risk reinforcing existing inequalities? This paper explores these questions and provides the pathways needed to ensure the transformative role of AI in financial inclusion.

Understanding Artificial Intelligence (AI)

Artificial Intelligence refers to a set of technologies that enable machines to perform tasks that typically require human intelligence, including learning from data, recognising patterns, making predictions, and supporting decision-making. In financial services, AI systems are commonly applied in areas such as credit scoring, fraud detection, customer service automation, and risk management. AI is distinguished from traditional automation by its capacity to adapt and improve

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over time through machine learning and data-driven feedback.

It is important to clarify what does not constitute AI. Conventional rule-based systems, static algorithms, and simple automation tools do not qualify as AI because they lack learning capability and adaptive intelligence. True AI systems are probabilistic rather than deterministic, capable of uncovering insights beyond predefined rules, and responsive to evolving data patterns.

The evolution of AI has progressed through several stages. Early symbolic AI relied on explicitly coded rules and expert systems, offering limited flexibility. The rise of machine learning introduced statistical models that learn patterns from data. Advances in deep learning enabled the processing of unstructured data such as images and text, while recent developments in generative AI have expanded AI's capacity to generate human-like language and contextual reasoning. This evolution has significantly broadened AI's applicability across various sectors of economy, including finance and development.

AI as a Creative Disruptor for Development

AI represents a form of creative disruption that can reshape development pathways, particularly in contexts where traditional institutional and infrastructural constraints limit service delivery. In financial inclusion, AI enables the transformation of legacy banking models by supporting digital-first, data-driven service delivery. This is especially relevant in developing economies, where physical banking infrastructure is costly and unevenly distributed. Dr. Andrew Ng, Founder of DeepLearning, says: "Lack of an incumbent structure might be an advantage for developing countries, where they can use digital education to leapfrog."

AI also enables personalisation at scale. By analysing diverse data sources, such as transaction histories, mobile usage, and behavioural patterns, AI systems can tailor financial products and advice to individual needs. This capacity democratises access to financial guidance, historically reserved for higher-income clients, and enhances user engagement and financial capa-

bility. From a development perspective, this shift moves financial inclusion beyond access toward empowerment.

Does AI foster Financial Inclusion?

The financial services sector has emerged as one of the most active adopters of AI globally. Banks, insurers, and fintech firms increasingly rely on AI to enhance operational efficiency, manage risk, and improve customer experience. As highlighted by the World Economic Forum (2025), financial institutions are increasingly integrating AI into their operations to leverage its strengths in data processing, automated decision-making, and scalable personalisation.

Digital financial services have been particularly transformative for inclusion. Mobile banking, digital wallets, and online payment platforms have expanded access to formal finance, especially in underserved regions. AI enhances these platforms by enabling real-time fraud detection, alternative credit assessment, and automated customer support. In contexts where traditional credit histories are absent, AI-powered models can leverage alternative data to assess creditworthiness, opening access to finance for individuals and small businesses previously excluded (World Bank, 2020).

AI offers significant scope for advancing financial inclusion by reducing costs, improving risk assessment, and enabling scalable service delivery. AI-driven onboarding and credit scoring can lower entry barriers for low-income clients, while intelligent customer interfaces can provide financial guidance in local languages and accessible formats.

Nevertheless, AI introduces substantial risks that warrant caution. Algorithmic bias remains a central concern. Drawing on Harari's argument in *Nexus*, AI systems trained on biased or incomplete datasets risk reproducing structural inequalities, thereby systematically disadvantaging certain social groups and undermining broader inclusion objectives (Harari, 2024). Additionally, reliance on digital infrastructure may exacerbate exclusion for populations lacking connectivity, devices, or digital skills.

Data privacy and consumer protection are equally critical. AI systems depend heavily on personal data, raising concerns about consent, transparency, and misuse. AI-driven services are not inherently inclusive. Without deliberate design and governance, AI systems may replicate existing biases embedded in data or institutional practices (World Economic Forum, 2025). Therefore, AI's developmental promise depends on ethical deployment, inclusive data strategies, and regulatory oversight that align innovation with equity. It should be ensured that this innovation does not compromise trust or rights, particularly for vulnerable populations.

Trade-offs Between Benefits and Costs of AI

The adoption of AI in financial services involves strategic trade-offs. On the benefits side, AI enhances efficiency, reduces operational costs, improves risk management, and enables market expansion into underserved segments. From a strategic standpoint, AI can act as a powerful enabler for banks and financial institutions seeking inclusive growth. By embedding AI into core processes, institutions can enhance decision quality, personalise services, and strengthen resilience. Moreover, institutions that adopt responsible AI practices can differentiate themselves by aligning commercial success with social value creation.

On the cost side, AI implementation requires significant investment in technology, data infrastructure, and skilled human capital. Compliance with emerging AI regulations also adds complexity and cost. For financial institutions, the challenge lies in balancing innovation with responsibility. AI should be deployed not only for profitability but also for long-term sustainability and social impact. Institutions that fail to manage these trade-offs risk reputational damage, regulatory sanctions, and erosion of consumer trust. Unchecked AI risks can disproportionately harm financially excluded populations, potentially undermining trust in formal financial systems.

Way Forward

Looking ahead, ensuring that AI serves humanity well requires aligning technological innovation

with human-centred development goals. Financial inclusion strategies must prioritise inclusivity, dignity, and empowerment rather than efficiency alone. This entails investing in digital literacy, strengthening infrastructure, and embedding ethical principles into AI design and governance.

International cooperation and multilateral platforms can play a critical role in sharing best practices, building capacity, and aligning AI-enabled financial inclusion with broader sustainable development objectives. When guided by thoughtful policy and ethical commitment, AI can become a partner in development and shared prosperity. Financial institutions that embrace this potential, while also committing to responsible AI governance, are likely to reap unparalleled opportunities for value creation by utilising this technology.

Finally, strategic deployment of AI requires strong governance frameworks, ethical standards, and cross-sector collaboration. Regulators, financial institutions, and development partners must work together to establish norms that promote transparency, fairness, and accountability in AI-driven financial services.

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Financing Nepali Universities through Endowment

■ Dr Bhola Thapa

Gurukuls, home-based arrangement or religious institutes based on beliefs of Hindu and Buddhism were the traditional system of educational institutions in Nepal. Hence, they were limited to certain privileged castes of society. The Gurus or Rishis were leaders of running gurukuls and they were also responsible for resource management of gurukuls.

Nepal's modern higher education began with Tri-Chandra College (1918) and Tribhuvan University (1959). Tri-Chandra College was established by Rana Prime Minister Chandra Shemsher. It means all funding and financial management must have been the responsibility of the then government.

The wives of King Tribhuvan, Queen Kanti and Ishwari, donated land and made financial contribution by selling their personal jewellery, raising approximately 1.6 million rupees to establish TU. TU was sole higher education institute until the 1980s when policy shifted towards a multi-university system, leading to

Nepal Sanskrit University (1986), Kathmandu University (1991) and then Purbanchal University and Pokhara University in mid-90s. This led for rapid expansion and diversification of higher education. We now have 15 universities established by the federal parliament, 9 academies of health science and 6 universities established by Provincial governments. There are also half a dozen universities in the pipeline. We are still facing challenges in development and operation of universities due to limited funding available.

The issues related to universities in Nepal are often identified as outdated curricula, infrastructure gaps, limited research, political interference, and a lack of a unified higher education policy. One of the main drivers for all these are financing modalities of higher education. Besides academic leadership, university leadership is put under pressure to generate and manage financial resources.

Universities worldwide are facing crisis ranging from constricting finances and diminishing governance autonomy. Nepali universities cannot

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be expected to remain independent of the global and local environments. Diversifying funding sources is key to financial sustainability of universities. But it is also crucial for governance autonomy. While government oversight of financial resources is constant, a primary advantage of minimal public funding is that universities can better preserve their academic freedom. However, determining how to diversify revenue streams remains critical during this period of declining student enrollment and stagnant economic growth. Beyond conventional funding sources, strengthening university endowments represents a promising and sustainable financial model.

Roles of University Leader

In Nepali universities, the Vice-Chancellor/President) serves as the chief executive officer and academic leader. While government leaders typically hold the ceremonial title of Chancellor and Pro Chancellors, the VC is responsible for daily operations, strategic vision, and overall institutional integrity.

As the academic leader, the Vice Chancellor (VC) is responsible for ensuring the quality and relevance of education. Global engagement, external relations, and stakeholder partnerships ensure the employability of graduates while creating new opportunities for resource mobilisation. The VC must also oversee crisis management and conflict mediation, including financial crises, areas that are often overlooked.

The VC leads the administration in executing university policies and strategies, managing infrastructure, finances, and human resources. Within these duties, securing external funding from stakeholders is a primary responsibility. This requires maintaining strong linkages with donors, government bodies, and international organisations to ensure financial sustainability.

However, VCs often struggle with fundraising due to a heavy reliance on limited government subsidies. This necessitates a greater focus on diversifying revenue streams, a task frequently complicated by the blurred boundaries between

university governance and national politics.

Sources of Funds

University Acts in Nepal delineate diverse funding sources, primarily comprising government grants, student fees, private or organisational endowments, and revenue from university-led production and sales, alongside provisions for foreign assistance and dedicated scholarship funds.

These financial resources are managed under strict rules, regulations, and disciplinary frameworks tailored to each institution's nature and internal structure. Certain universities utilise a Board of Trustees to oversee their overall financial health.

Finally, all university accounts are strictly controlled and monitored through comprehensive audits conducted by the Auditor General or auditors appointed by the appropriate governing authorities.

Key Funding Clauses in University Acts

- **Government Funding:** Grants from the Government of Nepal are a primary source, often channelled through the University Grants Commission (UGC) for regular and development needs, including infrastructure and scholarships. Universities established by provinces are getting grants directly from provinces. They are not getting grants from UGC. There are also occasional special grants to some universities as per the budget of the government.
- **Student Fees & Income:** Revenue from student fees, university sales, and other self-generated income contribute significantly to university funds.
- **Donations & Endowments:** Acts permit receiving funds from individuals and organisations as donations, charities, or financial assistance, with provisions for establishing endowments for long-term support and specific purpose.
- **Foreign Assistance:** Universities can

receive aid from foreign governments and international bodies, but this may require prior approval from the Government of Nepal.

- **Specific Funds:** Funds are allocated for specific purposes, such as scholarships for disadvantaged students and core funding for university systems, with UGC covering some costs like scholarships.

Board of Trustees in Nepali universities

In certain Nepali universities, the Board of Trustees (BoT) functions as a governing body responsible for setting strategic vision, monitoring financial health, approving budgets, and selecting institutional leadership. The BoT ensures institutional integrity and long-term sustainability while acting as a custodian of assets to guide the university toward its objectives. Institutions such as Gandaki University, Nepal University, and Madan Bhandari University of Science and Technology (MBUST) have integrated BoT provisions into their respective acts.

Kathmandu University established its BoT through the “Kathmandu University Board of Trustee Rule 2049,” approved by the Senate, marking the first instance of such a body in a Nepali university. Within Section 7, which outlines roles, responsibilities, and authority, Clauses Ga and Gha explicitly mandate the protection of university property and the patronage of both the Endowment Fund and the Scholarship Fund.

Endowment model

Endowment is one of the models for diversification of funding sources in universities. Thousands of universities worldwide run on different kinds of endowment funds provided by institutions and individuals. Usually, a portion of the earnings from the endowments is used towards running costs or specific projects of the university, thus ensuring long-term financial security for the university. The US-based Harvard University has 14,000 endowments with the total size exceeding \$50.7 billion. The endowments contributed \$2.2 billion to the university’s operating budget in 2023 alone.

In 2023, Stanford University’s endowment was valued at \$36.3 billion, with a \$1.74 billion payout covering 23 percent of its operating expenses. Top American universities consistently leverage the goodwill of donors and alumni to bolster their financial standing; these generous endowments enable institutions to provide competitive salaries, fund student tuition and research, and drive innovation. Similarly, Indian universities are establishing targeted endowment funds through contributions from the business community and alumni.

Nepal possesses a long-standing tradition of "Guthis" – community-based resource pools used for centuries to fund initiatives like education. Kathmandu University’s successful experiment with the endowment model serves as a viable blueprint for other Nepali institutions. For instance, MBUST is actively pursuing an endowment drive, appealing to stakeholders and well-wishers via its website, which currently reports a balance of 7.7 million Nepali rupees.

Endowments in Nepali universities are expanding through donations that provide sustainable income for scholarships, research, and faculty, ensuring financial stability beyond government subsidies. Operating on the principle of preserving the principal while utilising interest, these funds – often established by philanthropists and alumni – reflect the traditional "guthi" system of community funding. Ultimately, endowments create alternative, sustainable revenue that enhances university competitiveness, attracts talent, and provides financial resilience. Unlike other funding types, the primary goal of an endowment is to ensure the fund's perpetuity, supporting the university's mission indefinitely.

Financing Experience of Kathmandu University

The historical context of Kathmandu University’s financial arrangements and status is detailed by Founding Registrar Dr. Sitaram Adhikary in the book “Kathmandu Vishwavidyalaya: Pahilo 25 Barsa,” published in 2082 BS. KU has identified funding streams from both the government and

non-government sectors. Furthermore, the university adopted a business model rooted in Nepali society, drawing upon the experience of the Guthi tradition. The core principles of Kathmandu University's financial model were as follows:

Revenue part:

- The university aims to generate 60% of its budget from student fees and the remaining 40% from alternative sources. The distribution of this 40% is allocated as follows: 10% from government grants, 10% from national donors, 15% from foreign donors, and 5% from other miscellaneous sources.
- Land from local government and government grant, buildings and equipment from internal revenue, grants, loan
- Scholarships from donors
- Research from grants and competitive funding

Expenditure Part: The capital and development investment are done 100% as per understanding with donors. The expenditure strategy based on revenue from students' tuition fee are:

- Salary and benefits 60%
- Other recurring expenditure 40%

A university's financial health is reflected in its reserve, corpus, and endowment funds. However, several debates persist regarding why a reserve fund is necessary, the appropriate rate of regular contributions, and the specific operational guidelines required. While reserve funds are intended for emergencies, there is a constant risk that future management might divert these assets toward development projects at their discretion. Consequently, establishing robust guidelines and watchdog mechanisms is essential for institutions to safeguard and ensure the proper utilisation of these restricted funds.

The Kathmandu University Strategic Plan (2022-2027) charts out a five-year roadmap

to contribute in diverse fields of national development through quality education. In line with the vision of the founders, making graduates leaders in their respective fields and yet humane, compassionate and responsible citizens are the core philosophy of this Strategic Plan.

Financial resources and their mobilisation are at the core of any institution's sustainability. The Plan has projected to increase the share of student fee in overall financial mobilisation together with industry-oriented research and consultancy services to generate substantial revenue and expanding endowment fund thereby making KU financially more sustainable. Kathmandu University is getting very limited financial support from the government. Since the establishment of the KU, it has mainly relied on student's fees, which make up the most significant part of the total income.

Major Financial resources:

- Student's Fee
- Grants
- Bank Interest Income
- Other areas of financial resources
- Consultancy/Research Services
- Product Development
- Endowments

Major Expenses:

- Faculty/Staff Salary
- Infrastructure Development
- Faculty Development and Training
- Operation and Maintenance
- Gratuities, Benefits and Emoluments
- Awards, Scholarships and Donations

The financial landscape of KU exhibits a laudable narrative of resilience and strategic growth, particularly evident in its performance over the past five fiscal years (FY19- FY23) that includes the COVID-19 phase. KU has demonstrated

exceptional recovery from the pandemic induced challenges, with total income rising from NPR 1.44 billion in FY21 to an impressive NPR 3.33 billion in FY23, surpassing pre-pandemic levels. This financial resurgence is backed by a robust asset base of NPR 5,392 million and a healthy surplus of NPR 374 million in FY23. KU has successfully navigated these turbulent times to emerge stronger. The university maintains financial stability through a fairly diversified revenue structure. A notable strength is the university's extensive endowment system that supports various academic and research initiatives.

KU's financial management system is characterised by a comprehensive budgeting process that balances institutional oversight with departmental autonomy. The bottom-up budgeting approach begins at the departmental level and progresses through various stages of review and refinement, culminating in Senate approval. Key factors contributing to KU's good financial health are diversification of revenue streams and strategic investments in infrastructure, technology and human capital to enhance its academic output and operational efficiency. KU has implemented robust financial management practices, including budgeting, forecasting, and financial control systems. Regular financial reviews and analysis enable the university to make informed decisions and allocate resources effectively. The university's endowment fund has grown steadily over the years, providing a stable source of income for future generations. This endowment fund supports various academic initiatives, including scholarships, fellowships, and research projects.

Empowering School (Dean) and Department (Head) level leadership for financial authority and autonomy to raise and utilise funds is needed to keep the spirit of financial sustainability. This will significantly improve the speed of operations. With these KU can further solidify its position as a leading educational institution and achieve a promising future trajectory – financially and hence academically.

KU Endowment Fund

Apart from other sources of income, KU considers endowment funds as a major source of income. The Endowment Fund at KU was first conceptualised in 2004 with the Ford Foundation grant of USD 250,000. The target for the KU Endowment Fund, originally set at NPR 500 million for the 2022–2027 Strategic Plan, has already been surpassed with a total of NPR 780 million across more than 60 distinct categories. Beyond external institutional and individual donors from Nepal and abroad, the fund's success is driven by KU faculty contributions sourced from savings within their project-related activities.

To effectively motivate alumni participation in endowment creation for financially constrained Nepali universities, the underlying narrative must evolve from a conventional academic appeal to a broader national-level strategic imperative centred on "Survival Science." Unlike the prestige-oriented endowment models of the United States or the industry-aligned frameworks observed in China and India, this approach positions the university as a critical institution capable of developing long-term defences against Nepal's significant seismic and climate-related risks. By framing the endowment as a life-preserving national investment rather than a philanthropic contribution, universities can galvanise their global diaspora – many of whom retain deep emotional, familial, and regional ties to Nepal living with such risk. This reframing elevates the university from a narrowly defined educational institution producing a limited number of graduates each year to an indispensable national asset, where every dollar invested serves as a safeguard for the country's future and the resilience of its local communities.

Present endowment funds of KU can be categorised on the basis of the purpose as follows:

Endowment Types	% of Total Funds
Awards	0.56%
Capacity Building for Staffs	1.87%
Educational Loan	6.79%
Medal	2.79%
General	12.66%
Research, Community Engagement and Scholarship	2.39%
Research	20.67%
Scholarship	49.58%
Scholarship and Medal	0.93%
Stipend	1.76%

“Kathmandu University Endowment Fund Establishment and Operation Guideline 2075” was approved by the Executive Committee for a new endowment drive. This guideline was developed to ensure the smooth operation of the Endowment Fund and encourage its expansion. However, it does not cover the detailed operational scheme for revenue generated from the fund.

The traditional Nepali system likely recognised the inherent challenges in managing endowments established by ancestors for the preservation of tangible and intangible heritage. The Guthi Sansthan was established specifically for this purpose. The Guthi Sansthan Act (1964) defines a Guthi as a trust created by a philanthropist who relinquishes title to movable, immovable, or income-generating property to fund shrines, festivals, or the maintenance of temples, rest houses, and various public utilities or religious institutions. This definition underscores that the Guthi is a unique Nepali institutional system for endowment conservation. Despite this history, significant challenges remain regarding the protection and utilisation of donor-created funds. While the Guthi concept is not new to Nepali educational institutions, the future management and operation of university endowment funds may still encounter obstacles.

The most effective way to ensure that endowment funds are used strictly for the purposes for which they were established is a decentralised

responsibility with strong central oversight. Under this approach, primary responsibility for fund utilisation should rest with the beneficiary units such as schools, departments, or research centres because these units best understand their academic priorities and the direct impact of the endowment on teaching, research, or student support. Each beneficiary unit should be required to prepare an annual utilisation plan that clearly aligns with the donor’s intent and the approved objectives of the endowment. This process not only ensures relevance and effectiveness but also fosters a sense of ownership and operational accountability at the implementation level.

Even though the Board of Trustees is the custodian of the Endowment Fund at KU, there is a need for a strong central unit to safeguard and preserve the integrity of the endowment, manage investments and revenue pooling, and ensure fair and timely allocation of funds across all eligible units. Together, this shared-responsibility framework through central, school and department level units balances strategic oversight with academic autonomy, enhances transparency, and ultimately ensures that KU endowment funds generate meaningful and measurable impact in line with their original purpose.

The current investment approach, which relies on fixed deposits in commercial banks, is yielding insufficient returns for the Endowment Fund. In some instances, the generated revenue fails to cover basic expenses, such as the cost of gold medals. To address this, we must adequately diversify endowment assets to optimise the balance between risk and return.

We must establish and strengthen the systems required to oversee the mobilisation and utilisation of the endowment fund, as well as the management of donor relationships. There might be lack of ownership at the beneficiary level, due to lack of information. We may risk losing our credibility if the donor relationship is not properly managed. With proper management, endowment can be a good alternative for financing Nepali universities for their sustainability.

To maximise endowment growth within Nepal's unique economic context, investment strategies must transition toward diversified portfolios that balance long-term stability with targeted exposure to high-growth sectors. Significant opportunities exist in hydropower and information technology, where equity investments and debentures can capture value from Nepal's expanding regional energy and service trade, offering both capital appreciation and stable dividend income. These investments should be complemented by diversified institutional mutual funds and government development bonds, rather than an overreliance on fixed deposits, to ensure sustainable capital growth and risk mitigation.

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Thinking Counterintuitively in Business

■ Brian Tang

All world class athletes have the same dream – win the gold medal in Olympic Games. When they finally win a medal in the Games, they would feel happy, undoubtedly. It makes sense to think that gold medallists would feel the happiest, next the silver medallists, and the bronze with the least amount of happiness among the three. Is that true?

In a famous study of the 1992 Summer Olympic Games, Medvec and Gilovich of Cornell University and Madey of the University of Toledo conducted a research¹ to measure the happiness of the medallists based on their facial expressions on the award podium. On a scale of score 1 – 10, with 1 being 'Agony' and 10 being 'Ecstasy', bronze medallists scored on average 7.1, while silver medallists achieved only 4.8, slightly below the neutral point. The same study has been replicated a few times after that and results were similar. Athletes who objectively performed better (silver medallists) were less happy than those who performed the worst (bronze medallists). Why is that?

The researchers concluded that these medallists have different ways to look at the result. The bronze winners thought 'At Least'. 'At least I made it to the podium.', 'At least I didn't finish the 4th.' On the other hand, silver medallists pondered 'If Only'. 'If only I ran a bit faster.' 'If only I didn't get distracted by the audience.' Silver place is a tiny step away from the top –

often in milliseconds. The 'If Only' thinking hurts.

This is counterintuitive thinking – something that doesn't seem to make sense actually makes sense when we dig deeper. It provides fresh perspective. It gives us insight in how humans think and behave, as well as how the world works. I have prepared two counterintuitive examples in business and offered the moral of the story. Let's explore.

1. Kodak and the digital photography

The Eastman Kodak Company (Kodak) was a well-known giant in the photography industry in the 1970s. It was almost impossible to find any photographers who haven't used Kodak's products back at the time. It achieved an astonishing 85% market share in camera sales and a whopping 90% market share in photographic films sales in the 70s. It literally pushed their competitors off the market². Its sales went up to \$10 billion in 1981. However, in 2012, the company filed for bankruptcy. What happened?

There exist many explanations of Kodak's downfall. Most attributed to its late adaptation to the uprising trend of digital photography. Although the company eventually jumped on the digital trend bandwagon, it never placed as much focus on it as its best-selling products – films. Eventually, the company became obsolete and irrelevant in the market.

While it was widely accepted that Kodak died of

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1. Medvec, Victoria Husted, Scott F. Madey, and Thomas Gilovich. "When less is more: counterfactual thinking and satisfaction among Olympic medalists." *Journal of Personality and Social Psychology* 69, no. 4 (1995): 603.
2. <https://brand-minds.medium.com/why-did-kodak-fail-and-what-can-you-learn-from-its-failure-70b92793493c>

the digital trend, not many people know that it was Kodak who invented the first digital camera in the world in 1975. Now let's think about it. Kodak had the next generation of products and all the resources and money on hand, why didn't they invest in it and make it 'The next big thing'?

You may call it management complacency or lack of organisational agility. Clayton Christensen, a professor at the Harvard Business School, had a theory in his best-selling book 'The Innovator's Dilemma'³. Based on his research, he argued that a company like Kodak which failed to capitalise on the next generation of products (he called it 'Disruptive Technology') was not because of complacency or bad management. Counterintuitively, it was the opposite. They didn't pursue the disruptive technology because of good management practice. In business school, we were trained to 'listen to the customers', and 'maximise shareholders return'. Let's put ourselves in the shoes of Kodak's senior management in the 70s. We were making huge profits and our market shares were unprecedented. Our customers love our products. Now we have this digital camera technology which was inferior compared to our existing products, its market potential was unknown, and no customer has expressed interest in it. Why would we want to spend our resources to develop this product with unknown potential instead of going 'all in' with the best-selling products that generate humongous return? That just makes no sense at all.

Further, even if they decided to invest in it, it won't generate the 'maximum return' for the company. Any new technology starts with a small market potential. The potential return from the digital photography would be so small to make an impact to the balance sheet of Kodak, at least initially. Hence it won't garner enough attention and resources are needed in a big organisation such as Kodak. That's the reason disruptive technology was best suited for start-ups, whose only product and attention was that disruptive technology.

In short, Kodak died of good management, not bad management.

Christensen further argued in his book that the

organisational ecosystem created additional barriers to develop disruptive technology. For instance, you were the head of the engineer who invented the first digital camera. Would you propose to the senior management team to focus on this new product? With the benefit of hindsight, we know the answer should be 'yes'. But at that time, it was a new technology with uncertain potential. Would you risk your career path by betting on a new technology? What if it turns out sour? Your career would be in jeopardy. Therefore, many new technologies and opportunities never made it to the discussion item in the boardroom. They got sacked in mid-management.

Lesson of the story: Discard siloed thinking and practice Systems Thinking. Organisations are an ecosystem – everything is interconnected. Any input may create unintended results. The wholes are not the mere sum of its parts. Relationships are nonlinear and complex. Management must not only examine the viability of the technology but also think about the relationship and dynamic reactions by each component in the system, i.e., the organisation. Failure to do so leads to myopic thinking and inability to see the full picture.

2. Spotify and 'Discover Weekly'

We all want to make the best decision. In order to do that we need to know the facts, and that's where big data and data science come in. When used correctly, data helps us understand the world better and make better judgement. However, just as any other thing, there is always a chance of having too much of a good thing. If we overly rely on data and data alone, we blind ourselves to other perspectives and possibilities.

In 2015, Spotify, an online audio streaming and media services provider, launched a product called 'Discover Weekly'. Every Monday morning, Spotify would give you a unique list of 30 hot songs that you haven't heard of, based on your taste and preferences. The product was an instant hit. Spotify users loved this product. However, its success was intriguing to Spotify's management. The company didn't spend much effort promoting this product before launch.

3. Clayton M. Christensen, *The Innovator's Dilemma*, Boston, Harvard Business Review Press, 1997.

Compared to similar products such as 'Feel Good Friday', 'Discover Weekly' was not much different in terms of product nature. What made it so popular?

The data scientists at Spotify spent a great deal of effort to mine the data but to no avail. They couldn't figure out from the data what made 'Discover Weekly' so hot. It was not until they gave up on the data, did they discover the answer. It was not because of the 'what' or 'how' of the product, but the 'when'. 'Discover Weekly' generated a list of new songs for the users every Monday, when the 'Fresh Start Effect' is in effect. Psychologically, Mondays represent the fresh start of a weekly cycle. Hence a new playlist on Monday morning makes a lot of sense. Similar 'Fresh Start Effect' can be found in January and the first day of the month.

Lesson of the story:
Quantitative analysis should

always be complemented by qualitative observation. Don't get attached to only one side of your input. Balance is the key. Be curious and observant. Moreover, humans are very complicated. Our decisions are not always rational. Understanding the soft stuff (behavioural economics and psychology) may just be as important as mining the hard data in judgements and decision making.

Counterintuitive thinking is not easy. It is like defying gravity. It requires us to challenge our mental model and status quo. Nobody wants to be wrong, but the counterintuitive thinking process may prove us wrong. How can we get past this sense of failure and challenge ourselves to think counterintuitively? I have got two tips for you.

First, focus on growth instead of being right. We all want to be right. We feel really good when we are right but awful

when we are wrong. And this awful feeling may actually make us risk averse and stops us from being innovative. What if we don't care so much whether or not we are right, but whether we are growing and knowing something we didn't know before? We shift our attention to growth and development. Even if we fail, we have learned something we didn't know before.

Second, approach the issue on hand as a novice instead of a master. In this ever-changing world, there's no such thing as a master anymore. Everything is changing, and everyone is learning. As the saying goes, 'In the beginner's mind there are many possibilities, in the master's mind there are few.' Embrace humility and tell yourself: there is always something I don't know, despite how much I already know.



The Role of Smart Government for Effective Economic Management

■ Dr. Chandra Mani Adhikari

1. Introduction

Based on the topic first of all we should be clear about the concept of smart government and effective public economic management. In recent times, citizens have frequently questioned the government's competence concerning service delivery and the development process. Another issue that should be clear in this context is economic management which is related to the economy. The issue of making economic management effective should be viewed in an integrated way by linking it with economics, law, administration, governance, management and technology.

2. Smart Government

Smart government is an integral part of smart governance, where technology and innovation are prioritised to make decision-making more transparent and efficient, thereby enhancing the quality and quantity of public services. Based on this concept, the goal of smartness should be associated with providing public services effectively, promptly, and at a high standard by making government processes more democratic and people-oriented.

To achieve this objective, all major government organisations and components must integrate advanced technologies and human expertise, fostering necessary innovation through collaboration with the private sector and the beneficiaries themselves.

The roadmap for smart governance is typically designed around core principles, including data-driven decision-making, citizen-centric services, efficiency and automation, transparency and

accountability, collaboration and participation, and resilience and sustainability.

For instance, smart governments utilise real-time data and analytics to inform policy, allocate resources, and resolve problems, rather than relying on time-consuming intuition or outdated reports. A practical example is using real-time traffic flow data to optimise signal timings and reduce congestion, rather than adhering to traditional, fixed schedules.

Furthermore, the scale and delivery of services should be designed around the needs of citizens rather than the convenience of the bureaucracy. This allows individuals to pay taxes, renew legal documents like driving licences, or apply for business permits through 24-hour online platforms without the need to visit multiple physical offices.

3. Economic Management

Another term utilised in this article is economic management, specifically in the context of public economic management. A government's economic management refers to the suite of policies, tools, and actions employed to positively guide and influence the overall performance and health of a nation's economy. The scope of the economy is inherently complex; as a multifaceted domain, it encompasses everything from investment and production to domestic and international economic activities. It spans government and private expenditures, income and revenue, consumption, poverty and prosperity, unemployment and employment, education and health services, and the relationship between money, inflation, and interest rates. Nevertheless, the government cannot avoid this intricate responsibility.

In this context, the government should function as

the pilot of the economy, treating it as a vast and complex aircraft. Within this framework, principle-based smart governance assists the government in creating a sophisticated space for the effective economic management of both available and potential resources.

4. Context of Nepal

In this regard, for Nepal as well, only a smart government will be able to create the necessary space for effective economic management to maintain stability alongside appropriate and sustainable growth. This must be rooted in smart and good governance across all economic sectors and social services. To achieve this broader objective, the Federal Government must act as the primary coordinator in association with sub-national governments, the private sector, and community organisations to effectively mitigate the risk of economic recessions and financial crises. Currently, most Nepali citizens are concerned about weak governance; the prevailing public sentiment suggests that the country's major obstacle is the absence of good and smart governance, which has allowed corruption to permeate every level of government organisation across all three tiers.

To defeat this chronic economic ailment, the government must incorporate and implement every aspect of good and smart governance within its administrative mechanisms and apply these principles across all spheres of public life. This will serve as the foundation for a clean and accountable government, enabling the state to boost investment, growth, and employment. By ensuring that the fuels of the economy – its resources – are efficiently utilised and distributed, the government can establish a proper relationship between resources, production, and jobs. Consequently, it will be better positioned to plan for and reach a safe, prosperous destination for long-term sustainable development.

4.1 Goals of Economic Management and the Constitution of Nepal:

Economic management may encompass several goals, but focus should remain on the core 'rectangular plus one' objectives to serve fundamental purposes, as these constitute the primary aims of a country's economic policy. The first goal is to achieve sustainable economic

growth, which involves increasing the production of goods and services over time – measured by Gross Domestic Product (GDP) – to ensure long-term progress without volatile boom-and-bust cycles.

The second goal is maintaining inflation at a low, predictable, and stable level, avoiding both high inflation and deflation, to keep the economy secure. High inflation erodes the value of money and savings, while deflation can be equally damaging to economic health.

High-quality employment serves as the third goal, ensuring that everyone seeking work can find a position. Undesirable unemployment results in the waste of human resources and leads to significant social and economic problems.

The fourth goal is a stable balance of payments, which manages a country's transactions with the rest of the world by avoiding unsustainable deficits where spending on imports vastly exceeds earnings from exports.

In the 21st century, a fifth, increasingly vital goal is the rational distribution of income and wealth. This objective aims to foster a more peaceful and cordial global society by reducing extreme inequality and ensuring that the benefits of economic growth are shared fairly across all levels of society.

In the context of Nepal, this goal is particularly significant, as the Constitution emphasises abolishing economic inequality through the equitable distribution of gains. The Constitution defines Nepal as an inclusive, socialism-oriented, federal democratic republican state committed to socialism based on democratic norms and values. According to Article 50.3, the state's economic objective is to achieve sustainable development and rapid growth by maximising the mobilisation of available means and resources through the participation of the public, private, and cooperative sectors. Furthermore, it aims to develop a socialism-oriented, independent, and prosperous economy that is self-reliant and progressive, ultimately building an exploitation-free society. This constitutional provision clearly underscores the necessity of a smart government to utilise resources efficiently and highlights why effective economic management is vital for Nepal and its people.

To design an appropriate roadmap for effective

economic management infused with the qualities of smart governance, we must identify the existing challenges, scope, and potential of Nepal's economy.

Reports regarding Nepal's economy show a mixed scenario for 2024 and 2025. On one hand, the economy is characterised by low GDP growth, high unemployment, and a significant drop in inflation. On the other hand, the external sector remains strong, boasting record-high foreign exchange reserves and a favourable balance of payments. GDP growth for FY 2024/25 is estimated at 4.6%, roughly 1% higher than in FY 2023/24. However, due to factors including political unrest, the World Bank projects a decline to 2.1% for FY 2025/26. Meanwhile, Consumer Price Index (CPI) inflation dropped to 1.47% by mid-October 2025 from 4.82% a year prior; both figures remain well below the Nepal Rastra Bank's 5% upper ceiling.

On the investment side, a substantial amount of lendable funds has accumulated within banks, yet credit growth remains below 7%, contrasted against an 11% increase in deposit collection according to the Nepal Rastra Bank. Industries are currently operating at less than 50% capacity. Furthermore, the capital expenditure rate across all levels of government has remained below 70% of allocated amounts over the last five years, as per the Financial Comptroller General Office. This contraction in both private investment and public capital expenditure has trapped the economy in a cycle of reduced transactions and low consumption volumes.

Youth job creation has lagged, with the unemployment rate officially registered at 10.7%. This has adversely affected government revenue, as the federal government's revenue growth rate has narrowed to approximately 10% – only one-third of the initial target.

The pressure from low revenue collection has compelled the government to increase borrowing even for recurrent management expenses. Consequently, the public debt-to-GDP ratio has surged to 43% as of mid-2025, up from 23% just five years ago, according to the Public Debt Management Office.

4.2 Way of Addressing the Challenges:

To address these challenges and steer the economy in the desired direction, all three tiers of government must focus on four coordinated and

harmonised pathways.

The first priority is to exercise frugality in administrative and management expenditures; the second is to increase capital expenditure; the third is to refine the tax and non-tax systems to bolster revenue; and the fourth is to significantly enhance good governance to achieve more public works with fewer resources by increasing efficiency. Reducing management costs and improving revenue collection alleviates resource pressure, thereby narrowing the budget deficit and lowering the public debt-to-GDP ratio, which mitigates overall economic risk.

Similarly, improving good governance increases resource effectiveness; tasks that previously cost one hundred rupees can be accomplished for less. This not only bolsters public confidence in the government but also stimulates private sector investment and further increases revenue, ultimately improving the quality of services provided to the people. It is well understood that capital expenditure constitutes public investment; its increase fosters an environment conducive to private investment, which positively impacts economic growth and revitalises the overall economy. The fundamental tools to achieve these goals are fiscal and monetary policy. Fiscal policy involves the use of government spending and taxation to influence the economy's direction and structure over time. Meanwhile, monetary policy, typically managed by the central bank, is used to control the money supply and interest rates. In addition to fiscal and monetary policies, the government should review existing regulations concerning anti-monopoly measures, consumer protection, environmental standards, and workplace safety. Furthermore, a reassessment of supply-side policies and social safety net arrangements is essential to steer the economy in the proper direction.

All the aforementioned tasks and initiatives must be implemented on a foundation of good governance and transparency. To elevate these standards, a smart government is required, one that optimises modern technology to promote comprehensive economic management in the desired manner.

5. Conclusion

Based on the preceding observations and factual analysis, we can conclude that a

nation's development is only achievable when governance and management are efficient and effective. Governance is truly effective only when characterised by transparency and the conduct of public affairs in strict accordance with laws and regulations. Modern technology plays a pivotal role in executing governance laws, rules, methods, and procedures in a transparent and productive manner, which simultaneously reduces the leakage of resources. Consequently, it not only improves service quality by curbing resource waste but also assists in reducing costs and lowering prices. By integrating governance with technology, state affairs become more law-based, transparent, people-centric, and effectively development-oriented. This framework is defined as good governance, and the entity that operates it is a smart government, as smart government inherently relies on technology and innovation. A smart government facilitates the effective and sustainable utilisation of a nation's physical, financial, and human resources, yielding higher economic returns and ensuring citizens receive quality services promptly and at reasonable costs. By investing domestic financial resources into high-potential sectors, it boosts production and productivity while fostering an environment that attracts additional foreign investment. It further strengthens the relationship between the government and the private sector, enhancing investment and making it more productive and result-oriented. Ultimately, a smart government naturally increases both national production and the income of individuals and the state.

As individual income and state revenue rise, consumption increases accordingly. Increased consumption further bolsters revenue, causing the gross domestic product to rise. As private and public investment, expenditure, and income grow, the economy shifts from dependence toward interdependence; import substitution takes root, and exports begin to climb, thereby accelerating the rate of economic growth. During this phase, inflation can be maintained within levels favourable to the economy through appropriate economic, fiscal, and monetary policies. However, to achieve this objective, the government must transform itself from a traditional structure and mindset into a modern, smart government. Additionally, the state must first cultivate an environment where the management of public resources is directed toward more profitable sectors through dense cooperation and coordination with the private sector. To perform this task perfectly, human and natural resources must remain at the centre, ensuring development is robust and sustainable while making the economy relatively more self-reliant.

Against this backdrop, if Nepal is to achieve significant development and build a resilient economy, it must establish a properly blended interrelationship between people, soil, water, technology, and governance. If we follow this roadmap effectively, the country can foster an economic environment where value addition remains high relative to the international market.



Why Corporate Governance Matters for Economic Prosperity?

■ Chhabindra Parajuli

Abstract

Corporate governance encompasses a diverse set of elements, including procedures, systems, processes, values, and norms, designed for effective oversight and to maintain accountability to all stakeholders through both internal and external mechanisms. It is the system by which business corporations are directed and controlled. Maximising shareholder value in a legal and ethical manner is the hallmark of good corporate governance. The Government of Nepal has placed significant emphasis on this area, establishing various institutional, legal, and regulatory frameworks. However, the smooth functioning of these institutions and instruments must be expedited. By introducing a robust corporate governance framework, a well-functioning corporate culture can be instilled. The primary challenge today lies in promoting a culture of self-regulation and self-discipline to ensure the healthy functioning of the corporate world.

Key Words: Corporate Governance; Corporate Governance Framework; Board members; Stakeholders; Shareholders; Regulatory Reforms; Business ethics; Self-discipline; Professional ethics; Accountability; Corporate Image and Brand.

Introduction

Corporate governance encompasses a diverse set of elements, including procedures, systems, processes, values, and norms, designed for effective oversight and to maintain accountability to all stakeholders through both internal and

external mechanisms. The internal mechanisms of corporate governance comprise shareholders, board members, managers, and internal stakeholders. Conversely, the external framework constitutes effective regulatory mechanisms, compliance with other institutional procedures, and business competitors.

Corporate governance is a system for administering healthy relationships among the multiple stakeholders involved in furthering a corporation's goals. This is achieved by adopting policies and processes, establishing rules and regulations, framing laws, and instilling values and norms to ensure company performance is transparent, fair, accountable, and responsible. The International Trade Centre (ITC) defines Corporate Governance as 'a systemic process by which companies are directed and controlled to enhance their wealth generation. Since corporations employ a vast quantum of societal resources, the governance process should ensure that these companies are managed in a manner that meets shareholders' aspirations and societal expectations.'

The Securities and Exchange Board of India (SEBI) states that 'Corporate Governance is the acceptance by management of the inalienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders. It is about a commitment to values, ethical business conduct, and making a clear distinction between personal and corporate funds in the management of a company.'

Ultimately, Corporate Governance is the system by which business corporations are directed and controlled; maximising shareholder value in a

legal and ethical manner is the hallmark of good corporate governance. It remains essential for operating a business within a sound corporate framework.

Corporate Governance Framework

An effective corporate governance framework is essential to ensure the smooth functioning of any corporation. The framework may comprise the following components:

- I. Strive towards effective use of available resources;
- II. Ensure full compliance of the legal and procedural requirements;
- III. Build confidence among the stakeholders;
- IV. Facilitate stakeholder dynamism;
- V. Steering the Board functions toward accountable;
- VI. Support to attract the public investments on the priority and profitable sectors;

For the steady and smooth implementation of this Corporate Governance Framework some issues need to be considered. These may include the following:

- I. Who will be the competent leadership for the chairman and who will be the board members;
- II. What will be the accountability systems towards shareholders and other stakeholders;
- III. What will be the appraisal mechanisms for the board's decisions;
- IV. What will be the best composition of the board members in order to make the board inclusive and well functional;
- V. What will be the new provisions to make the board workable;
- VI. How to implement the code of professional ethics for both board members and the employees;
- VII. How to insulate the conflict of interests of the board decisions from the board members;

- VIII. How to monitor the implementation of the reforms agendas approved from the board;
- IX. How to monitor the board's effectiveness in a transparent way?

Why is Corporate Governance important for the government as well as the corporate sector?

Corporate Governance matters for everyone, particularly for those within the corporate sector, as it promotes investment and ensures an effective return on the capital committed to corporate enterprises. The following are some emerging issues regarding corporate governance today:

- I. Rapidly changing ownership structure of the companies;
- II. Conflict of interest among the board members will make board members divided;
- III. Fiduciary nature of the relationship;
- IV. More complexities are rising in the corporate business;
- V. Increasing scandals;
- VI. Passivity of the shareholders is another issue;
- VII. Risk mitigation measures;
- VIII. Public acceptance and image of the company.

Principles of Corporate Governance

According to the OECD principles of corporate governance the following are the five key aspects, which are equally applicable in both OECD and non-OECD countries.

- I. Rights of shareholders;
- II. Equitable treatment of shareholders;
- III. Role of stakeholders in corporate governance;
- IV. Disclosure and transparency;
- V. The responsibility of the board.

Characteristics of Corporate Governance

The following characteristics are identified for good corporate governance:

- I. Having clear strategy;
- II. Effective risk management tools;
- III. Maintaining discipline;
- IV. Priorities for fairness, transparency and accountability;
- V. Self-evaluation practices;
- VI. Greater emphasis on social responsibilities;
- VII. Maintaining the best balance between the concerned stakeholders

and the shareholders.

Institutions involved for regulating Corporate Governance:

The following institutions are established and operating in their respective regime as an oversight agency for the promotion of good corporate culture and to preserve and protect the stakeholders as well as the shareholders' rights.

S.N.	Institutions	Related Laws and Regulations
1.	Ministry of Finance	
2.	Ministry of Industry, Commerce and Supplies; Ministry of Agriculture Development; Ministry of Health; Department of Health; Nepal Bureau of Standards and Metrology; Department of Food Technology and Quality Control; Nepal Oil Corporation	
3.	Nepal Rastra Bank	
4.	Company Board Nepal, Special Economic Zones (SEZs), Nepal Medical Council, Nepal Engineering Council, Nepal Nursing Council, Nepal Bar Council	
5.	Securities Board of Nepal	
6.	Company Registrar's Office	
7.	Nepal Stock Exchange	
8.	Inland Revenue Department; Customs Department; Customs Post Clearance Office	
9.	Judicial Council	
10.	National Vigilance Centre	
11.	Nepal Telecommunications Authority	
12.	Civil Aviation Authority of Nepal	
13.	Nepal Electricity Regulation Commission	
14.	Commission for the Investigation of Abuse of Authority	
15.	Nepal Electricity Authority	

Why Corporate Governance matters for prosperity?

Corporate Governance matters for the prosperity of the country due to the following reasons:

- I. For the healthy and sustainable growth of corporate sectors and to provide support for other sectors as well;
- II. For the welfare of investors, as well as the protection and well-being of employees;
- III. In order to promote and safeguard corporate loyalty and brand equity;
- IV. For the protection of brand image and the promotion of comprehensive labour welfare schemes;
- V. For the protection of customers and the enhancement of their overall welfare;
- VI. In order to facilitate social harmony and provide meaningful support to society.

Conclusion

The Government of Nepal has placed significant emphasis on Corporate Governance, establishing various institutional, legal, and regulatory frameworks. However, the efficient operation of these institutions and instruments

must be expedited. By introducing a robust Corporate Governance framework, a healthy and effective corporate culture can be instilled. The importance of Corporate Governance is globally recognised as a cornerstone of success for any organisation, whether in government, the private sector, or the charitable sphere. Nations such as the UK, South Africa, and India have already implemented rigorous corporate governance norms, values, and standards. Today, the primary challenge lies in promoting a culture of self-regulation and self-discipline to ensure the healthy functioning of the corporate world. In this context, Nepal must revitalise its corporate governance framework by dismantling invisible barriers and promoting digital governance within the corporate sector.

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Impact of Organisational Culture on Employee Performance

■ **Dibakar Bashistha, PhD**

Abstract

Organisational culture plays a crucial role in shaping employee attitudes, behaviours and performance. In today's dynamic and competitive business environment, organisations increasingly recognise culture as a key source of sustainable competitive advantage. This study examines the impact of organisational culture on employee performance through a comprehensive review of relevant theoretical and empirical literature. Using a descriptive and analytical research approach based on secondary data, the study explores how shared values, beliefs, norms, leadership practices and communication patterns influence employee performance. The findings indicate that a strong and well-aligned organisational culture positively affects employee motivation, job satisfaction, commitment and productivity leading to improved organisational outcomes. Conversely, weak or misaligned cultures are associated with lower employee engagement and reduced performance levels. The study highlights that organisational culture

influences employee performance both directly by shaping work behaviours and expectations and indirectly through its effect on motivational and psychological factors. The paper concludes that fostering a supportive and performance-oriented organisational culture is essential for enhancing employee performance and achieving long-term organisational success. The findings offer valuable insights for managers and practitioners seeking to develop high-performing work environments.

Keywords: Organisational culture, employee performance, motivation, organisational behaviour, management.

1. Introduction

An organisation operates in dynamic environment where human resources are considered a key source of competitive advantage. Beyond formal rules and structures, organisational culture significantly influences how employees behave and perform organisational culture refers to the shared values, beliefs, norms and practices that guide behaviour within an organisation

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(Schein, 2010). Employee performance is a critical determinant of organisational success, as it directly affects productivity, service quality and goal achievement. Understanding how organisational culture impacts employee performance has become an important area of research in organisational management. This study aims to analyse the relationship between organisational culture and employee's performance through a review of relevant literature.

Organisational culture refers to the shared values, beliefs, norms and practices that shape how employees think, feel and behave within an organisation. It represents the internal environment that guides the interactions among employees and between employees and management and it fundamentally influences organisational objectives and outcomes. A positive and well aligned culture can foster high levels of motivation, commitment and job satisfaction while a weak or misaligned culture can limit employee effectiveness and reduce overall performance (Haedar Akib, 2024).

Employee performance is a critical determinant of organisational success in competitive environments. It encompasses how well employees perform their job duties, achieve targets, and contribute to broader business goals. Scholars argue that organisational culture affects employee performance both directly by shaping behaviour and expectations and indirectly by influencing factors such as job satisfaction, motivation and commitment (Eva Suryani, 2024). Strong culture that emphasises with organisational goals, leading to improved productivity and performance outcomes. (Nasrullah, 2024). Research in diverse organisational settings has consistently shown that culture plays a pivotal role in shaping employee behaviour and performance outcomes. For instance, positive cultural attributes such as involvement, mission clarity and supportive leadership are significantly associated with enhanced performance indicators including productivity, creativity and job satisfaction. For instance, positive cultural attributes such as

involvement, mission clarity, and supportive leadership are significantly associated with enhanced performance indicators, including productivity, creativity, and job satisfaction (Nasrullah, 2024).

Conversely, organisational cultures that lack coherence or fail to support employee needs tend to experience lower engagement levels and suboptimal performance (Shrestha, 2024). Therefore, understanding how organisational culture affects employee performance is essential for managers and practitioners seeking sustainable competitive advantage and high-performing workforce.

2. Statement of the Problem

Despite investments in technology and systems, many organisations experience low productivity, employee dissatisfaction and high turnover. One major reason is the lack of supportive organisational culture. The problem addressed in this study is how organisational culture influences employee performance and what cultural elements contribute most to improved performance. In the context of Nepali organisations, there is limited empirical research that clearly establishes how specific dimensions of organisational culture such as leadership style, communication patterns, work ethics and decision-making processes directly influence employee performance issues such as low motivation, high turnover, lack of engagement, organisational culture and employee expectation. Consequently, the central problem this research addresses is the ambiguous relationship between organisational culture and employee performance within Nepali organisations. Understanding this relationship is essential to identify cultural practices that promote high performance, improve employee satisfaction and contribute to overall organisational effectiveness.

3. Objectives of the Study

The main objectives of this study are:

- To examine the concept of organisational culture

- To analyse the relationship between organisational culture and employee performance
- To identify key cultural factors influencing employee performance

4. Literature Review

Concept of Organisation Culture

Organisation culture is defined as a pattern of shared basic assumptions learned by a group as it solves its problems of external adaptation and internal integration (Schein, 2010). Similarly, (Robbins & Judge, 2017) describe organisational culture as a system of shared meaning held by members that distinguishes one organisation from another. Culture provides employees with a sense of identity and creates commitment to organisational goals. It also shapes employee behaviour by establishing norms regarding acceptable conduct within the organisation. It is widely recognised as a critical factor affecting employee attitudes, motivation and overall performance. Research shows that a strong, positive organisational culture can enhance productivity, employee satisfaction and commitment, whereas a weak or negative culture can lead to disengagement and poor performance (Denison, 1990).

Employee Performance

Employee performance refers to the degree to which employees accomplish tasks that contribute to organisational objectives (Armstrong, 2020). Performance includes task performance, quality of work, efficiency and commitment. High performing employees are essential for organisational effectiveness and sustainability. Organisational culture dictates the psychological climate, the employees' collective perceptions of their work environment. Positive climates that emphasise recognition and support boost intrinsic motivation and performance (Macey et.al, 2013).

Theoretical Perspectives

(Maslow, 1943) Maslow's Hierarchy of Needs suggests that employees are motivated to perform better when their physiological, safety, social, esteem and self-actualisation needs are fulfilled. Organisation culture determines the extent to which these motivational needs are addressed. A supportive and recognition-based culture enhances intrinsic motivation leading to higher job performance, commitment and creativity. Several theories explain the relationship between organisational culture and employee performance. (Schein, 2010) model identifies three levels of culture like artifacts, espoused values and underlying assumptions which collectively shape employee's behaviours. Hofstede's cultural dimensions also suggest that organisational practices and employee interactions are influenced by broader cultural patterns which affect performance outcomes (Hofstede, 1991). From a theoretical standpoint, employee performance is not solely an individual attribute but a result of continuous interaction between employees and organisational culture. Theories of motivation, goal setting, social exchange and organisational culture collectively explain how cultural values and practices influence employees and organisational culture collectively explains how cultural values and practices influence employee behaviour, efficiency and productivity. Therefore, organisational culture serves as a critical determinant of employee performance in modern organisations.

Dimensions of Organisational Culture and Their Impact

Research has identified multiple dimensions of organisational culture that influence employee performance:

- Innovation and Risk-Taking: Cultures that encourage creativity and innovation positively impact employee performance by fostering problem-solving and adaptability (Deal & Kennedy, 1982).
- Communication and Collaboration: Open communication channels and collaborative environments enhance

teamwork, reduce conflicts and increase efficiency (Heskett & Kotter , 1992).

- Leadership Style: Transformational and participative leadership styles embedded in the organisational culture improve employee motivation and performance (Bass, 1990).
- Reward and Recognition Systems: Cultures that recognise and reward performance increase employee engagement and encourage higher productivity (Judge & Robbins , 2019)

Empirical Studies

Several empirical studies demonstrate the link between organisational culture and employee performance.

- (Denison , 1990) found that organisations with strong cultures focused on involvement, consistency, adaptability and mission showed significantly higher performance metric.
- (Jung et.al, 2009) reported that transformational leadership culture positively affects employee creativity and task performance.
- (Alavi et.al, 2019) conducted a study in the banking sector and observed that organisations with supportive and innovative cultures had higher employee job satisfaction and lower turnovers.

These studies indicate that organisational culture acts as both a motivator and a framework guiding employee behaviours toward organisational goals.

Mechanisms Linking Culture to Performance

The relationship between culture and performance operates through several mechanisms:

- Motivation and Commitment: Strong cultures align employee values with organisational goals, increasing motivation and commitment (Cameron & Quinn, 2011).

- Behavioural Norms: Shared norms create predictable behaviour patterns, reducing workplace conflicts and improving efficiency (Schein, 2010).
- Knowledge Sharing: Cultures that promote learning and information sharing enhance employee competencies and problem-solving abilities (Takeuchi & Nonaka , 1995).

Relationship between Organisational Culture and Employee Performance

Several studies indicate strong positive relationship between organisation culture and employee performance. (Denison, 1990) argues that cultures emphasising involvement, consistency, adaptability and mission positively influence organisational and individual performance. A supportive culture motivates employees, improves job satisfaction and productivity. (Heskett & Kotter , 1992) found that organisations with strong, adaptive cultures outperform those with weak cultures in terms of growth and profitability. When employees share common values and beliefs, coordination improves, conflicts decrease and performance increases.

Nepali organisational practices

In the context of Nepali organisational culture, decision-making authority is concentrated at the top level. Employees often hesitate to express new ideas or challenge seniors. This concentration results in low innovation, slow decision-making, and reduced employee initiative. Personal relationships and favouritism decline fairness and morale while lowering trust and organisational commitment. Employees prefer safe, traditional work methods, which leads to slow adaptation to change and technology. Performance appraisal systems are often formalities with limited links between effort, performance, and rewards, impacting motivation and reducing efficiency and goal achievement. Information flows mainly top-down; feedback from lower-level employees is often ignored. Cultural values emphasise obedience and respect, where

questioning leaders is seen as disrespectful, suppressing creativity and critical thinking. Rules are flexible and sometimes inconsistently applied, with personal discretion dominating formal procedures, causing inefficiency and role ambiguity. Unequal workload distribution and a preference for established routines reduce competitiveness. Overall, Nepali organisational culture is characterised by hierarchy, collectivism, seniority, and personal networks, providing stability and cooperation but limiting motivation, innovation, and efficiency when merit-based systems and open communication are weak.

Conclusion of Literature Review

The literature consistently indicates that organisational culture is a key determinant of employee performance. Cultures that emphasise collaboration, innovation, effective leadership and recognition systems create environments where employees are motivated, engaged and productive. Organisations must consciously cultivate and manage their culture to align with strategic goals and improve overall performance.

5. Research Methodology

This study adopts a descriptive and analytical research design based on secondary data. Data were collected from academic books, peer-reviewed journals, research articles and reports. The study analyses existing literature to understand how organisational culture affects employee performance. Research methodology is the conceptual framework that guides a researcher in selecting appropriate methods and procedures for conducting a scientific study. It explains why and how specific research techniques are employed to collect, analyse and interpret data to achieve research objectives systematically and logically.

Analysis and Discussion

The literature reveals that organisational culture influences employee performance through multiple mechanisms. A positive culture fosters

motivation, team and trust which enhance employee engagement and efficiency. Cultures that encourage open communication and participation empower employees and improve decision-making quality (Judge & Robbins, 2017). Leadership plays a crucial role in shaping culture. Leaders who model ethical behaviour, support learning and recognise employee contributions create cultures that promote high performance. Conversely, rigid and authoritarian cultures may stifle creativity and employee morale, negatively affecting performance.

6. Conclusion

The study concludes that organisational culture has significant impact on employee performance. A strong and positive culture enhances motivation, commitment and productivity while a weak culture undermines performance. Organisations should focus on developing cultures that support employee participation, innovation and shared values to improve overall performance and achieve sustainable success. Organisational culture consists of shared values, beliefs, norms and practices that shape employee behaviour and performance within an organisation. Identifying key cultural factors such as leadership style, communication patterns, teamwork, reward systems and organisational values are essential because these factors directly affect employee motivation, job satisfaction and productivity.

7. Recommendations

Organisations should promote participative and supportive cultures. Leaders should act as role models for desired cultural values. Training programmes should emphasise cultural alignment and teamwork. Continuous assessment of organisational culture should be conducted. Organisations should promote participative leadership style, effective communication, teamwork, reward systems and organisational values to enhance employee motivation, job satisfaction and productivity.

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Ethical Issues in Public Service Management

■ **Gopinath Mainali**

Public Service

The services, goods, and facilities provided by the state or its policy structures to promote citizens' welfare are considered public services. After the establishment of the state through a social contract, its primary responsibility was to deliver services to citizens. At that time, the main duties (services) of the state were the protection of life, liberty and property of the citizens. But as citizens' expectations have increased, the scope, nature, and area of services have expanded, and traditional norms of service delivery have also been modified.

In modern liberal democracy, the state is a morally responsible institution to its citizens. The state cannot, and should not, be the sole provider of all types of services. Therefore, not all services and goods are provided directly by the state, but the state takes responsibility for organising them. In delivering public services, the state generally adopts these five approaches:

- Production
- Provision
- Subsidy
- Regulation
- Partnership

The method of service delivery is determined by the capacity of actors outside the state, government performance, and citizens' expectations. If external actors have the interest and capacity, the state may transfer some responsibilities to them except for core functions.

If they lack interest or capacity, the ultimate responsibility for meeting citizens' needs remains with the state.

Core functions, such as policy-making, security, justice, foreign relations, currency and financial management, are produced and delivered solely by the state. These functions are always executed exclusively by the state. But for development, infrastructure, recreation, awareness, education, health and sanitation, promotion, and disaster-related services, the state may transfer responsibilities or form partnerships with external actors under defined procedures. Currently, non-state actors are collaborating with the state by leveraging their capacity to provide and produce essential services and public utilities.

To make public service delivery ethical and effective, the state has undertaken various studies, initiatives, and reforms. Until the 1970s, bureaucratic systems dominated. Later, criticism grew. From the 1970s onward, managerialism, limited market mechanisms, and New Public Management ideas were introduced. From the 1980s, governance, citizen empowerment, and voice mechanisms were emphasised. From the 1990s onward, the general public began to be treated as consumers, clients, or citizens depending on context.

A person becomes virtuous and moral when they stop behaving childishly, start taking responsibility, and become emotionally stable. Integrity doesn't come just by getting older. It comes with orientation, experience and learning. However, age and experience alone do not ensure integrity, which encompasses self-awareness, emotional stability, and the capacity to manage challenging situations appropriately.

Professional integrity also means being able to make the right decisions at the right time, based on one's own understanding, life experiences, and learned lessons. A moral person does not make decisions out of impulse; instead, they think carefully. In an ethical state, one becomes capable of taking responsibility, organising thoughts, making plans, setting goals, and acting accordingly.

According to experts, a synthesis of diverse experiences, emotional intelligence, and psychological growth fosters the development of moral and virtuous character. Childhood experiences, learned behaviours, and environmental influences shape one's thinking, strengthen decision-making, and contribute to maturity. Genetics also plays a role in determining emotional tendencies. In the workplace, physical environment, family environment, and other social factors influence whether a person becomes responsible or irresponsible. Learning never stops. But even with learning, full morality depends on a person's thinking and emotional development. Ultimately, integrity is the result of both experience and personal growth.

Behavioural/Ethical Issues

Public service delivery is based on specific principles, adherence to which allows public institutions to function as ethical bodies and gain citizens' trust. Services should be relevant, high-quality, low-cost, complete, accessible, impartial, equitable, and fair. These are citizens' rights and providers' obligations.

Major ethical concerns observed in fulfilling these expectations include:

1. Use of Discretionary Power

The administration not only implements policies and programmes but also plays a direct role in important decisions. Even in areas where it is not directly involved, administrative influence is significant.

Some decisions are defined by laws and procedures, while others rely on personal discretion. It is not always possible to codify decision criteria. Excessive discretion can lead to personal bias, political inclination, class influence, or preference for certain groups. This undermines

fairness, resource allocation, and equitable distribution of opportunities.

Example:

The Income Tax Act (2031 B.S.) allowed tax officers to determine tax 'reasonably', but did not define what 'reasonable' meant. Even today, several legal provisions give discretionary powers without objective criteria, which can be unethical and unfair.

2. Corruption

Public officials are expected to be virtuous and selfless. Their conduct must reflect public expectations. The use of entrusted power, resources, and responsibility should promote social justice and ethics.

Corruption is not only financial gain or misuse of office; deviating from public expectations is also an ethical form of corruption. Many examples show officials succumbing to greed for power, status, or money. Such behaviours may not always be legally punishable but must be addressed through personal moral commitment.

This issue is especially serious in young democracies in Asia and Africa, including Nepal.

3. Nepotism

The administration reflects societal values, including kinship and friendship networks. Public employees must treat all citizens equally. Favouring certain individuals based on relationships, ideology, or background is a deviation from professional ethics. This issue is more prevalent in developing countries.

4. Administrative Secrecy

Administrative work requires openness and transparency because the duty is to protect citizens' rights and justice. Transparency corrects errors and builds public trust. It is a key feature of modern democracy and a basis for accountability.

However, in Nepal, transparency is not yet widely embraced by institutions or citizens.

5. Information Leakage

Leakage of sensitive information before decisions are finalised can negatively impact public order and social harmony. Not all information should be public – judicial procedures, criminal investigations, exam data, tax-rate determinations, and security operations require confidentiality.

For example, Nepal once experienced a major leak of budget details before the budget speech.

Negative lists of sensitive information are defined by national laws – Nepal’s list is determined by a high-level committee chaired by the Chief Secretary.

6. Public Accountability

Public officials are bound by professional norms and laws. They exercise authority on behalf of citizens and must remain accountable to supervisors, service users, and institutions.

Today, direct accountability to service users is increasingly demanded. However, unlike the private sector, public service costs cannot always be linked directly to service quality. The relationship between taxpayers, the state, and frontline service providers is complex.

Ensuring fairness in allocation, procedures, and compensation remains a major ethical challenge.

7. Administrative Distortions and Dysfunction

The public often accuses the bureaucracy of being plagued by various dysfunctions that prevent effective performance.

Examples include:

- Passing the buck
- Excessive formality
- Rigidity
- ‘Status quo’ mentality
- Conservatism
- Ego and superiority
- Volunteerism for self-interest
- Red-tape attitude
- Keeping distance from the public
- Hesitancy toward fieldwork

- Goal displacement
- Neglecting time
- Action shy comfort loving tendency
- Jurisdictional conflicts
- Poor training and low motivation

These behaviours damage trust and prevent citizen-friendly administration.

8. Divided Loyalty

Political involvement and trade unionism have divided employees’ loyalty, weakening neutrality and ethical service delivery.

9. Excessive Professionalism

Questions arise whether employees prioritise personal academic pursuits or professional duties. In Nepal, officials often prioritise higher education, exams, second jobs, scholarships, or personal skill development over institutional needs.

10. Obsession With Procedure

Due process is necessary for the rule of law. But excessive rules can delay results and frustrate citizens. Citizens want outcomes, not excuses.

Overemphasis on literal compliance rather than intent creates a system where procedures overshadow results.

Managing Ethical Issues

Although ethical principles may be universal, mechanisms for enforcing them vary.

In the UK and US, ethics tests in public life are well-developed.

In France, employees retain political freedom – even the right to run for office – provided their conduct is not politically biased.

In some European countries, market mechanisms govern public services.

But in Nepal, the market often undermines ethics, making it philosophically inconsistent to expect both justice and efficiency exclusively from market models.

South Africa’s Batho Pele Principles emphasise:

- Consultation

- Setting service standards
- Increased access
- Complaints handling
- Information sharing & interfacing with beneficiaries
- Courtesy
- Openness
- Value for money

These principles aim to make services effective and fair.

The UK uses financial management initiative (FMI) tools and a Citizen's Charter under a 'customer first' strategy.

Similarly, the US and Europe emphasise:

- Viewing customers as sovereign
- Breaking traditional procedures
- Institutional capacity-building
- Customer-oriented work systems
- Continuous improvement

Public-service scholars Peter Plastrik and David Osborne argue that bureaucratic systems are the core problem. They propose these strategies for the change of bureaucratic DNA:

- Strategic (goal-based) reform
- Incentive-based reform
- Accountability reform
- Empowerment reform
- Cultural reform

Conclusion

As societies evolve, administrative ethics must adapt. Earlier, the administration served elites; today, it must serve and be accountable to the people. Previously, ethical behaviour was enforced mainly through codes of conduct. Now, it also requires orientation, agreement, and internal motivation. Ethical responsibility is shifting from institutional to personal accountability. Despite changing models, the central focus remains: the citizen and citizen service.



Roles of Foreign Direct Investment and Remittances in the Nepali Economy

■ Hem Kumari Adhikari

Abstract

Foreign Direct Investment (FDI) and remittances are two critical external financial inflows shaping the Nepali economy, yet they differ significantly in scale, function, and long-term impact. This study examines the roles, trends, and economic implications of FDI and remittances in Nepal using recent macroeconomic data and official reports. The findings show that remittances dominate external inflows, contributing substantially to GDP, household consumption, foreign exchange reserves, and balance of payments stability, thereby acting as a key shock absorber for the economy. In contrast, although FDI plays a vital role in technology transfer, employment generation, and structural transformation, realised inflows remain low and volatile despite rising commitments. The analysis highlights a persistent gap between FDI potential and actual inflows, driven by political uncertainty, regulatory bottlenecks, and weak investor confidence. The study concludes that remittances and FDI serve complementary roles in Nepal's development process and emphasises the need for policies that channel remittances into productive investment while strengthening the investment climate to enhance the growth impact of FDI.

Introduction

Foreign Direct Investment (FDI) and remittances are two major forms of international financial flows that play a crucial role in the economic development of developing countries such as Nepal. Foreign Direct Investment refers to a long-

term investment made by a resident entity of one country into an enterprise located in another country, with the objective of obtaining a lasting interest and significant control over management (International Monetary Fund [IMF], 2009). Unlike portfolio investment, FDI involves not only capital transfer but also the movement of technology, managerial skills, and organisational practices, which can enhance productivity, employment generation, and structural transformation in the host economy (United Nations Conference on Trade and Development [UNCTAD], 2023). The IMF defines a "lasting interest" as ownership of at least 10% of the voting power in the foreign enterprise, signalling a long-term commitment rather than speculative intent (IMF, 2009).

Remittances, on the other hand, refer to personal transfers of money or goods made by migrant workers to individuals or households in their country of origin (World Bank, 2024). These flows are typically used for household consumption, education, health care, housing, and debt repayment, and they often act as a counter-cyclical source of income during economic shocks. According to the World Bank (2024), remittances are one of the largest and most stable external financing sources for low- and middle-income countries, frequently exceeding foreign aid and, in some cases, FDI inflows. While remittances contribute significantly to poverty reduction and macroeconomic stability, their long-term growth impact depends on whether they are channelled into productive investment rather than consumption alone. Together, FDI and remittances represent complementary but distinct channels of external finance, with FDI supporting long-term productive capacity and

remittances providing immediate income support and foreign exchange stability.

Foreign Direct Investment (FDI) and remittances are both important sources of external financial inflows for developing economies, contributing to foreign exchange earnings and macroeconomic stability. However, they differ in purpose and economic impact. FDI involves long-term investment with managerial control, technology transfer, and employment creation, supporting productive capacity and economic diversification (IMF, 2009; UNCTAD, 2023). Remittances are personal transfers from migrant workers to households, mainly used for consumption, education, and health, and play a significant role in poverty reduction and income stabilisation (World Bank, 2024). While FDI promotes long-term growth, remittances primarily provide short-term economic support.

Nepal's economy depends heavily on external financial inflows to sustain economic growth, maintain macroeconomic stability, and reduce poverty, making remittances and Foreign Direct Investment (FDI) especially significant. Remittances play a dominant role in the Nepali economy by contributing substantially to gross domestic product (GDP), supporting household consumption, and strengthening the external sector. Strong remittance inflows have been a key factor behind Nepal's ability to maintain a current account surplus and accumulate comfortable levels of foreign exchange reserves, which are crucial for financing imports and cushioning external shocks (NRB, 2025; World Bank, 2025). Empirical evidence from Nepal consistently shows that remittances positively affect economic growth and poverty reduction, particularly through increased spending on education and health, which enhances human capital formation (Panthi, 2023; Panthi, 2024). However, the growth impact of remittances is not automatic. Studies suggest that remittance-led growth is stronger when financial systems and institutions are capable of channelling these inflows toward savings and productive investment rather than consumption alone (Panthi, 2024).

While remittances primarily act as a short-run stabiliser for households and the external sector, FDI plays a distinct but complementary role in Nepal's long-term development trajectory. Although FDI inflows are considerably smaller than remittances in volume, they are critical

for structural transformation because they bring capital, modern technology, managerial expertise, productivity spillovers, and access to international markets benefits that remittances do not inherently provide (UNCTAD, 2023). In Nepal, FDI is particularly important for sectors such as hydropower, manufacturing, information technology, and tourism, which are essential for diversification, formal job creation, and productivity growth (IMF 2025). Despite increasing interest and commitments from foreign investors, realised FDI inflows remain persistently low due to political uncertainty, regulatory bottlenecks, weak infrastructure, and investor confidence issues (World Bank, 2025; IMF, 2025). This gap between potential and actual inflows limits FDI's ability to serve as a sustained engine of growth.

Taken together, remittances and FDI matter because they serve complementary functions in Nepal's development process. Remittances provide immediate liquidity, support household welfare, and stabilise the balance of payments, effectively acting as an economic shock absorber. FDI, in contrast, supports long-term productivity growth, skills development, and economic resilience by fostering structural change. The development payoff for Nepal is highest when policies simultaneously preserve the macroeconomic stability generated by remittances while strengthening the investment climate to convert FDI interest into realised inflows. It can be emphasised that channelling remittances into productive sectors and improving governance, financial intermediation, and regulatory credibility are essential for maximising the combined contribution of these external inflows to sustainable economic growth (Panthi, 2024; IMF, 2025; World Bank, 2025).

Despite the growing importance of Foreign Direct Investment (FDI) and remittances in Nepal, significant problems and research gaps remain in understanding their relative effectiveness and long-term contributions to economic development. Existing evidence shows that while remittances dominate external inflows and strongly support GDP growth, foreign exchange reserves, and balance of payments stability, they are largely channelled toward consumption rather than productive investment. This raises concerns about sustainability, labour dependency, and limited structural transformation. At the same time, although FDI commitments have

increased in recent years, actual inflows remain low and volatile, constrained by political uncertainty, regulatory inefficiencies, and weak investor confidence. Prior studies often examine remittances or FDI in isolation, creating a gap in comparative and integrated analysis of their economic roles in Nepal. This research is motivated by the need to assess recent trends, relative contributions, and policy effectiveness of both inflows using updated macroeconomic data. The study contributes by jointly analysing FDI and remittances, highlighting policy gaps, and offering evidence-based insights to improve investment climate reforms and the productive use of remittance inflows for sustainable growth.

Objectives of the study

The study has the following objectives:

1. To analyse recent trends and sectoral patterns of FDI and remittance inflows in Nepal using official macroeconomic data.
2. To explore the impacts, challenges, and policy effectiveness related to FDI and remittances in promoting long-term growth and economic diversification in Nepal.

Foreign Direct Investment in Nepal

Foreign Direct Investment in Nepal formally began after economic liberalisation in the early 1990s, particularly with the enactment of the Foreign Investment and Technology Transfer Act (FITTA) 1992. Since then, FDI has been promoted as a tool for industrialisation, employment generation, and technology transfer (UNCTAD,

2023; NRB, 2024).

Historically, FDI inflows into Nepal have remained low and volatile compared to regional peers. During the 1990s and early 2000s, inflows were minimal due to political instability, weak infrastructure, and regulatory barriers. FDI gradually increased after 2010, especially in hydropower, tourism, manufacturing, and information technology, supported by policy reforms and investment summits. However, inflows peaked around 2021 and declined thereafter, reflecting the impacts of COVID-19, global uncertainty, and domestic political transitions. Studies consistently note a wide gap between rising FDI commitments and weak realised inflows, indicating persistent structural and confidence-related constraints (IMF, 2023; World Bank, 2025).

Recent Trends of FDI in Nepal

Recent trends in Foreign Direct Investment (FDI) in Nepal indicate a gradual increase in investment commitments but relatively weak realised inflows. While policy reforms and large-scale projects particularly in hydropower, manufacturing, and services have attracted growing investor interest, actual FDI inflows remain low compared to Nepal’s potential and regional peers. This gap reflects persistent challenges such as political uncertainty, regulatory delays, infrastructure constraints, and investor confidence issues, limiting the contribution of FDI to sustained economic growth and structural transformation.

Table 1

FDI Commitments and Actual Inflows in Nepal

Period	FDI Commitments (Rs. billion)	Actual Inflows (Rs. billion)	% Change	Employment Projection
First 6 Months FY 2025/26	39.25	7.47 (first 5 months)	+52.11% (commitments)	20,122
First 3 Months FY 2025/26	N/A	1.74 (equity only)	N/A	N/A
FY 2024 (Annual)	N/A	8.40	N/A	N/A

(Source: NRB, 2026)

It can be shown by the given figure.

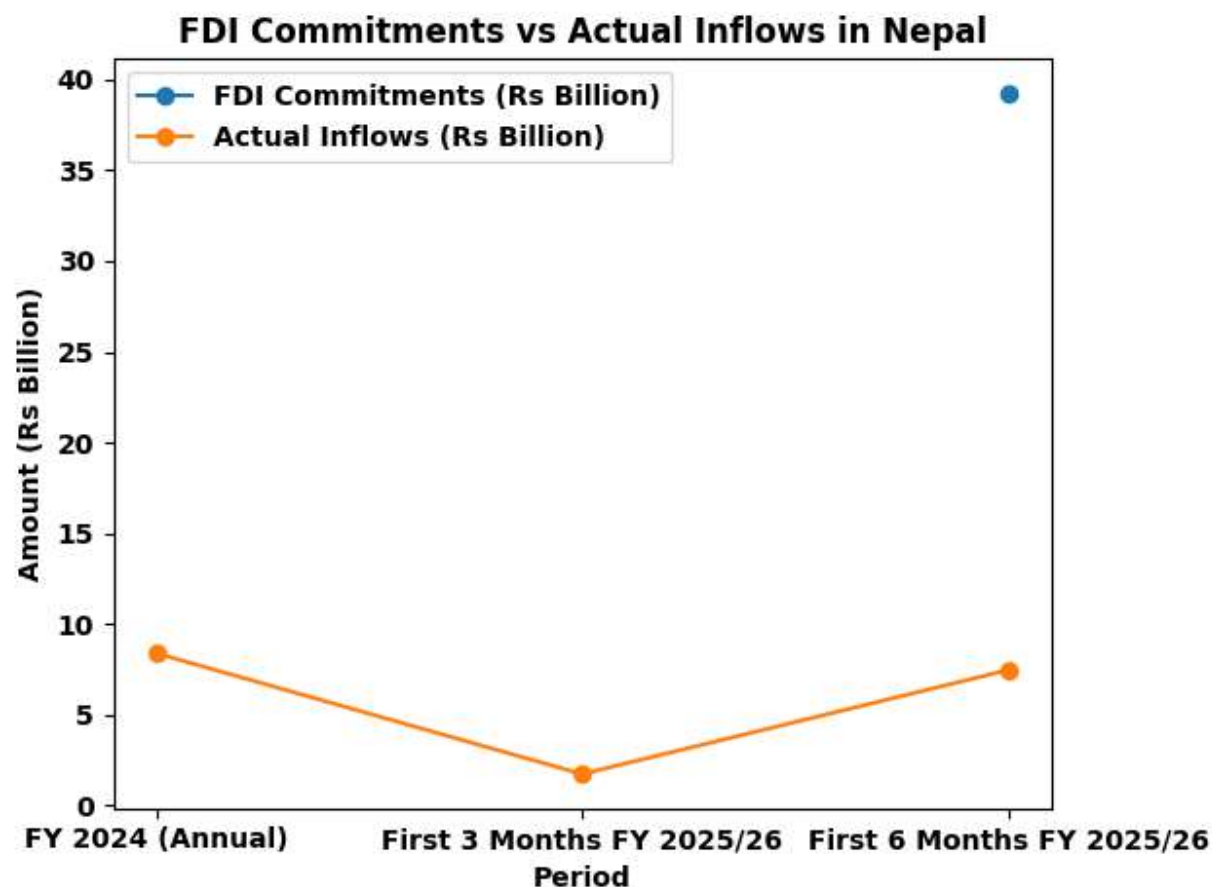


Figure 1: FDI Commitments vs Actual Inflows in Nepal

There is a persistent and structurally important gap between Foreign Direct Investment (FDI) commitments and actual inflows in Nepal, underscoring long-standing weaknesses in investment realisation. Although FDI commitments surged to Rs. 39.25 billion in the first six months of FY 2025/26 ; a 52.11% increase actual inflows compared to the corresponding period of previous fiscal year, which was amounted to Rs. 7.47 billion, indicating that a large share of pledged investments failed to materialise. This divergence suggests that rising investor interest has not translated into effective capital deployment, reflecting constraints such as regulatory delays, project execution risks, and investor confidence issues. The contrast is further reinforced by modest equity inflows of Rs. 1.74 billion in the first three months of FY 2025/26 and total inflows of Rs. 8.40 billion in FY 2024, pointing to weak momentum in realised

FDI despite improving headline figures. While projected employment generation appears significant, the credibility of such projections depends critically on actual inflows. Thus, Nepal's challenge lies less in attracting commitments and more in converting them into productive, growth-enhancing investment.

Sector-wise Distribution of Foreign Direct Investment (FDI) in Nepal

The table below presents the sector-wise distribution of Foreign Direct Investment (FDI) in Nepal based on the latest publicly available Nepal Rastra Bank (NRB) Survey Report. NRB publishes sector-wise shares mainly as FDI stock rather than short-period flow data; therefore, these percentages reflect the structural composition of FDI in Nepal.

Table 2

Sector-wise Distribution of Foreign Direct Investment (FDI) in Nepal

Sector	FDI Share (%)
Electricity, Gas, Steam & Air Conditioning (Hydropower)	32.8%
Manufacturing	29.5%
Financial & Insurance Activities	25.6%
Accommodation & Food Services	5.3%
Information & Communication (ICT)	4.8%
Education, Health & Others	2.0%

(Source: NRB Survey Report on FDI, 2021-22)

It can be shown by the given pie chart:



Figure 2: FDI Sectoral Distribution in Nepal

The sector-wise distribution of Foreign Direct Investment (FDI) in Nepal reveals a highly concentrated investment structure with important implications for growth and diversification. As shown in the NRB survey, hydropower-related activities dominate FDI stock, accounting for 32.8%, reflecting Nepal's comparative advantage in energy resources and the long-term, capital-intensive nature of such projects. Manufacturing follows closely with 29.5%, suggesting some progress toward productive capacity building; however, much of this investment remains limited in scale and technological depth, constraining its potential

for broad-based industrial transformation. A substantial share of FDI is also concentrated in financial and insurance activities (25.6%), which supports financial intermediation but generates relatively fewer direct employment and technology spillovers compared to tradable sectors. In contrast, tourism-related services and information and communication technology together account for barely 10%, highlighting underinvestment in high-employment and innovation-driven sectors. The minimal share allocated to education, health, and other social sectors further indicates that FDI has yet to play a meaningful role in strengthening human

capital. There is a structurally narrow FDI pattern, underscoring the need for policies that promote diversification toward technology-intensive and employment-generating sectors.

Remittance in Nepal

Remittances refer to money transfers sent by migrant workers to individuals or households in their home country. They represent a major source of external finance for developing economies and are widely used for consumption, education, health care, and poverty reduction (World Bank, 2023; IMF, 2022).

Remittances have played a central role in Nepal's economy since large-scale labour migration expanded in the late 1990s. Over time, remittance inflows increased steadily, becoming Nepal's largest source of foreign exchange and a key driver of household income and poverty reduction. In the 2010s, remittances consistently exceeded 20% of GDP, highlighting Nepal's growing dependence on migrant earnings. Recent data show a sharp rise in remittance inflows

during FY 2024/25 and FY 2025/26, driven by increased out-migration, higher wages in destination countries, and greater use of formal channels. These inflows have strengthened foreign exchange reserves and supported balance of payments stability, although concerns remain about long-term dependency (Nepal Rastra Bank [NRB], 2025; World Bank, 2024).

The Trend of Remittances in Nepal

Remittance inflows in Nepal have shown a consistently rising trend, becoming a cornerstone of the country's external sector and macroeconomic stability. Driven by large-scale labour migration, remittances contribute significantly to GDP, strengthen foreign exchange reserves, and support the balance of payments, particularly during periods of economic slowdown and external shocks.

The table below presents verified remittance inflows in Nepal based on official data published by Nepal Rastra Bank (NRB).

Table 3

Remittance Inflows in Nepal

Period	Inflows (Rs. billion)	% Change (YoY)	In USD (billion)	% Change (YoY USD)
First 5 Months FY 2025/26	870.31	+35.6%	6.16	+29.0%
First 3 Months FY 2025/26	553.31	+35.4%	3.94	+29.2%
FY 2025 (Full Year)	1,723	+19.2% (est.)	N/A	N/A

Source: (NRB 2025,2026)

The graph shows the trend of remittance inflow in Nepal.

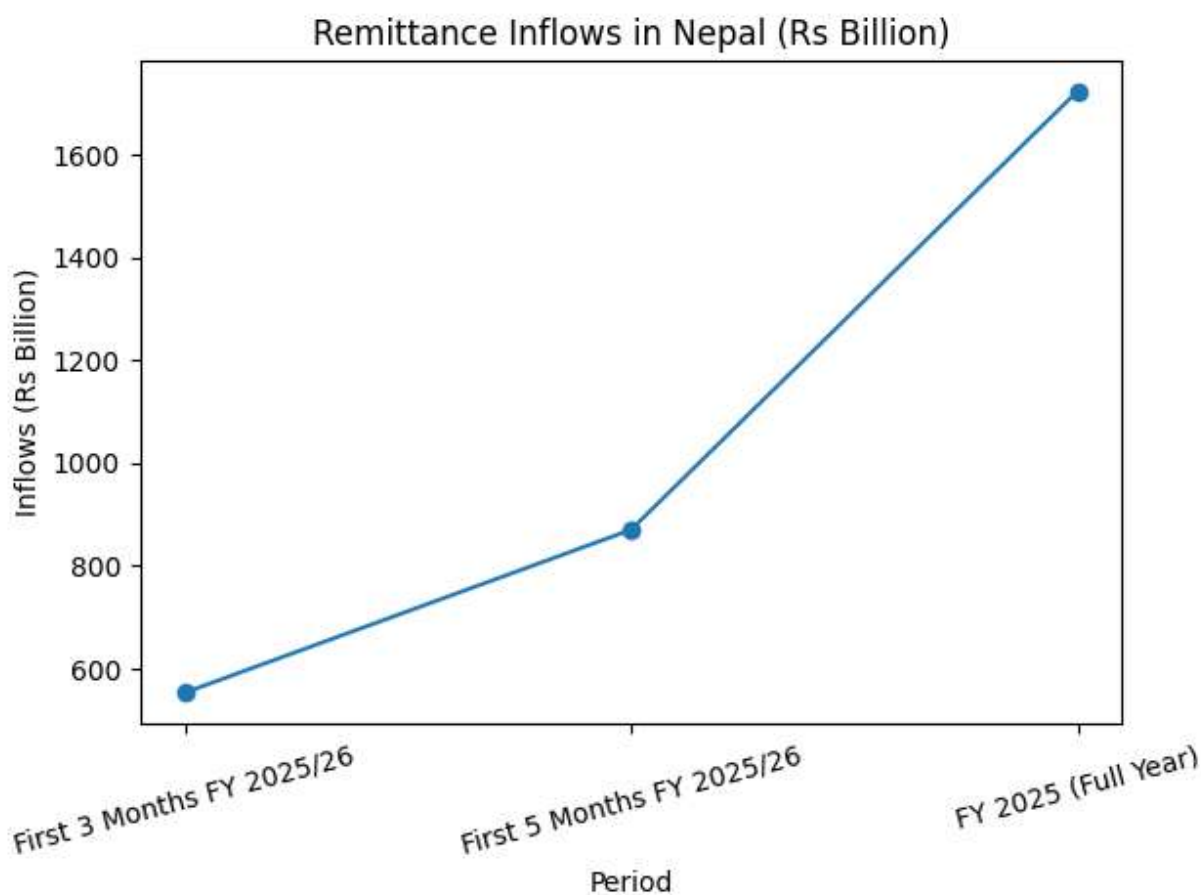


Figure 3: Remittance Inflows in Nepal

Comparison and Relationship between FDI and Remittance in Nepal

Foreign Direct Investment (FDI) and remittances are the two most significant external financial inflows into Nepal, yet they differ markedly in scale, function, and economic impact. Remittances far exceed FDI in magnitude and have become the backbone of Nepal's economy, contributing a substantial share to GDP, sustaining household consumption, and stabilising the balance of payments and foreign exchange reserves. As recent data show, remittance inflows in FY 2025 reached levels more than two hundred times larger than realised FDI inflows, highlighting Nepal's heavy reliance on migrant earnings for macroeconomic stability (NRB, 2025; World Bank, 2025). In contrast, FDI remains relatively small and volatile, with a persistent gap between rising commitments and weak actual inflows, limiting its contribution to growth and employment.

Despite these differences, FDI and remittances are not independent; rather, they exhibit an indirect and complementary relationship. Remittances support domestic demand, financial sector liquidity, and foreign exchange availability, which can improve macroeconomic stability and, in principle, enhance the investment climate for FDI. However, when remittances are largely used for consumption and imports, they may reduce incentives for domestic production and weaken the economy's attractiveness to efficiency-seeking investors. FDI, on the other hand, offers long-term benefits; technology transfer, productivity gains, and job creation that remittances do not inherently provide. Nepal's development challenge, therefore, lies in balancing these inflows: leveraging remittances as a stabilising force while strengthening policies and institutions to transform FDI into a sustainable engine of structural transformation and diversification.

Findings

From the above discussion we have got the following findings:

- Remittances overwhelmingly dominate Nepal's external financial inflows, contributing far more to GDP, foreign exchange reserves, and balance of payments stability than Foreign Direct Investment (FDI), which remains small and volatile in comparison.
- Despite a notable rise in FDI commitments in recent years, actual realised inflows remain weak, indicating persistent structural, regulatory, and confidence-related barriers that prevent pledged investments from translating into productive capital.
- Remittance inflows have shown a strong and consistent upward trend, particularly in FY 2024/25 and FY 2025/26, acting as a critical shock absorber for the economy by supporting household consumption and macroeconomic stability.
- Sector-wise FDI in Nepal is highly concentrated in hydropower, manufacturing, and financial services, with limited investment in technology-intensive and high-employment sectors such as ICT, tourism, education, and health.
- While remittances primarily support short-term economic stability and poverty reduction, FDI remains essential for long-term growth, job creation, and structural transformation, underscoring the need for policies that channel remittances into productive uses and convert FDI commitments into actual inflows.

Conclusion

This study examined the roles, trends, and interactions of Foreign Direct Investment (FDI) and remittances in Nepal's economic development. The findings show that remittances remain the dominant external financial

inflow, playing a crucial role in supporting GDP, household welfare, foreign exchange reserves, and balance of payments stability. In contrast, FDI, although vital for long-term growth, technology transfer, and structural transformation, remains limited and volatile, with a persistent gap between commitments and actual inflows. The analysis highlights that remittances and FDI serve complementary functions; remittances providing short-term stability and FDI enabling long-term development. Maximising their combined impact requires policies that channel remittances into productive investment and strengthen the investment climate to convert FDI potential into realised growth.

Recommendations

The discussion shows the followings suggestions:

- To strengthen the investment climate by ensuring political stability, simplifying regulatory procedures, improving contract enforcement, and accelerating project approvals so that rising FDI commitments can be converted into actual inflows that generate employment, technology transfer, and long-term growth.
- To promote the productive use of remittances by expanding financial instruments such as diaspora bonds, remittance-backed investment funds, and concessional credit schemes that encourage households to channel remittance income into entrepreneurship, small and medium enterprises, and priority productive sectors.
- To encourage diversification of FDI into high-employment and technology-oriented sectors, including manufacturing value chains, information and communication technology, tourism, and renewable energy, through targeted incentives, infrastructure development, and transparent sector-specific investment policies.

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Organisational Psychology: Perspectives from the Female Employees of University Grants Commission, Nepal

■ Hira Shrestha

Abstract

Organisational psychology is a vital and significant field of study that has grown significantly in the modern and industrial world in recent decades. Many researches indicate that organisations that put a high priority on wellness saw notable increases in worker engagement, lower absenteeism, and higher levels of overall production. However, the majority of public sector organisations in Nepal are condemned for using traditional management practices. Even while employee well-being is crucial to an organisation's performance, in practice, all kinds of organisations lack a well-being plan. The study was carried out with the aim to analyse feelings, emotions, experiences, and the management challenges that the female staff members faced, as well as the repercussions that resulted from their work environment at UGC using qualitative research design.

The findings suggest that wellness initiatives are urgently needed since workers are experiencing

higher levels of stress and anxiety and are in need of a better work-life balance and it was concluded that UGC must adopt a holistic approach to guarantee that workplace well-being is embedded in the organisation's culture.

Keywords:

Organisational Psychology, Workplace Wellness, University Grants Commission (UGC), Nepal

1. Introduction

1.1 Background of the Study

Employees are an organisation's most valuable resource. Employees who are healthier, more capable, more driven, and happier are an organisation's strength. A workplace that encourages inclusivity, work-life balance, and high employee engagement and morale is considered a positive work environment. Study of Robertson & Cooper (2015) shows that psychological health is one of the primary factors influencing total employee performance, satisfaction, and turnover rates in a range of firms.

In today's enterprises and government

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organisations, employee well-being has emerged as a vital and famous topic of discussion (Pradhan & Hati, 2022). Research indicates that organisations that put a high priority on wellness saw notable increases in worker engagement, lower absenteeism, and higher levels of overall production. Furthermore, for long-term results, integrating wellness programmes into organisational policies has been essential. Arevin (2024) strongly posits that wellness initiatives, specifically those emphasising work-life balance, organisational culture, and physical and mental health, demonstrably reduce absenteeism, improve employee retention, and decrease healthcare costs.

According to Jansen et al. (2015), mental health care services are frequently lacking or insufficient in developing nations. Even while employee well-being is crucial to an organisation's performance, in practice, all kinds of organisations lack a well-being plan (Gonsiorowska & Zieba, 2023). The majority of Nepal's public sector organisations are condemned for using traditional management practices. Similarly, exploratory research in this field is completely lacking in Nepali government organisations.

University Grants Commission (UGC) is a service-oriented and knowledge-based organisation. It was established in 1994 as an apex governmental body to manage and promote quality in higher education of Nepal. It has developed strategies and standard operating procedures in order to accomplish the organisational purpose. To carry out the aims and objectives, various departments, divisions, and areas of expertise have been established. Nevertheless, the question remains: are this organisation's employees truly driven? What are their perceptions of the management and the work? Significant questions regarding these events continue to be left unanswered.

The study primarily focuses on work-life balance initiatives, organisational cultures that support employee well-being, and physical and mental health programmes. Ultimately, this study adds to the body of knowledge regarding workplace wellness and how it may be used to build more resilient and effective organisations (Grawitch et

al., 2015; Nielsen & Daniels, 2016; and Arevin et al., 2024)

1.2 Research Question

1.1.1 **How do employees of UGC feel about their workplace?**

1.1.2 **What are the main issues that exist in the workplace?**

1.3 Research Objectives

1.3.1 **To analyse the attitudes, feelings, and behaviours among the female employees related to the work culture of UGC.**

1.3.2 **To investigate the main workplace issues.**

2 Literature Review

2.1 Concept of Organisational Psychology

Edgar H. Schein (1928-2023) has contributed in the areas of career development, organisational culture and the growth of organisations.

Organisation psychology deals with how workers perceive their surroundings and how they act, think, feel, and interact inside the workplace (Dolan and Shemueli, 2015).

A culture that is encouraging and characterised by open and clear communication, recognition and sense of belongingness can significantly affect job satisfaction which in turn raises employee engagement and productivity. On the other hand, low morale, decreased job satisfaction, and high turnover rates can result from a toxic culture that is characterised by a lack of support, strict hierarchies, and poor communication (Kessi & Sumarni, 2023).

2.2 Concept of Workplace Wellness

Workplace Wellness can be described as an organisation's deliberate attempt to establish an atmosphere that supports workers' mental, emotional, and physical well-being. The idea behind encouraging workplace wellness is rooted in the knowledge that a healthy workforce is essential for maintaining high productivity levels. Since employees are increasingly dealing with problems like burnout, stress, and anxiety in today's fast-paced work environment, the

implementation of wellness programmes has been essential to address physical, mental and emotional health challenges (Arevin et al., 2024).

2.3 Theoretical and Model Review

There are various theories and models developed by various researchers that enable the study of employee wellness and well-being. Maslow's Hierarchy of Needs Theory, which explains motivation, is widely accepted worldwide (Triveni & Mehta, 2019).

According to Guest and Conway (2004), employee well-being is shaped by six factors. These include a reasonable workload, employee autonomy over their job, positive working relationships, teamwork, well-defined functions, and a feeling of participation in decisions related to change.

In a similar way, the PERMA model of well-being identifies five building blocks to take into account: achievement, meaning, pleasant emotions, engagement, and relationship (Seligman, 2011).

However, Donaldson et al. (2021) broadened the framework of PERMA model by including four pertinent elements like mental health, physical health, work environment and economic security.

The Job demand-Resource (JD-R) Model states that employee well-being increases when resources (such as social support and career prospects) exceed job demands like workload and emotional pressure (Bakker & Demerouti, 2007; Princewill, 2024).

2.4 Conceptual Framework

The following conceptualisation of the study had been developed based on review of various researches (Arevin et.al, 2024; Vishal, 2022; Robertson & Cooper, 2015). Employee dedication, which results from motivation and job pleasure, is the foundation of any successful organisation. A lack of commitment would prevent the organisation from generating better results. Organisations must have competitive staff policies and practices in order to get a competitive edge.

3. Methodology

3.1 Research Design

The research design used for the study is qualitative and analytical. The purpose of the qualitative research design was to delve deeply

into the feelings, emotions, experiences, and the management challenges that the female staff members faced, as well as the repercussions that resulted from their work environment at UGC.

3.2 Target population of the study

The target group comprised the female employees assigned to various divisions at the UGC. At that time, the UGC employed a total of 56 (fifty-six) staff members, including both regular and contract-based personnel. Among them, 46 (forty-six) were male and 10 (ten) were female.

3.3 Data Collection:

Structured open-ended questions were asked to individual female employees to understand their mental well-being, and their perception towards colleagues, superiors, management committee and overall organisation culture. It took more than 15 days to interview each employee in person and 15 female staff members from various departments participated in the survey from May 29, 2023 to June 13, 2023. The qualitative data was narratively analysed to present the result.

3.4 Ethical Consideration

Both the organisation and each staff member gave their prior consent for the interview. The interview was conducted in a way that would not interfere with their work schedule.

4. Findings/Results

The major findings of the study were as follows:

1. The majority of staff members sought recognition, incentives, support, and constructive feedback regarding their efforts.
2. The unprofessional and unethical conduct of certain individuals within the organisation discouraged a small number of employees.
3. Almost all employees perceived internal communication and information flow as weak and insufficient, though the Research and Quality Assurance and Accreditation (QAA) divisions considered it relatively good.
4. Many staff members expressed a need for systematic, consistent, timely, and well-

informed interdivisional work rotation.

5. With the exception of the QAA, employees rarely experienced cooperation, coordination, or team spirit within their divisions, however, they acknowledged slow, gradual workplace improvements.
6. Most perceived a lack of moral support and encouragement from peers, superiors, and the relevant authorities.
7. Many lacked access to data, technology-based training, and research and development opportunities.
8. Employees in the Research and Scholarship, Planning and Budget, Grants Allocation, and QAA divisions experienced high workloads, pressure, and backlogs, leading to delayed task completion and concerns over staffing shortages.
9. Employees expressed a need for real-time administrative support regarding furniture, stationery, vehicles, and maintenance.
10. Some employees raised concerns regarding unequal remuneration.
11. A number of employees experienced job insecurity and career-related uncertainty.
12. Most employees felt disinterested in their roles due to monotonous tasks, unsystematic placement, and inconsistent job rotation.
13. Most individuals had adopted an approach centred on self-study, self-learning, and personal development.

5. Analysis and Description

Respondents possess attributes such as experience, competency, a focus on learning, and professionalism. However, a culture of respect, support, teamwork, collaboration, and coordination, alongside knowledge sharing, organisational learning, training, research, and development, has proven critical. Similarly, open communication, constructive criticism, and adequate rewards are essential for improving employee morale, increasing well-being, and

enhancing job satisfaction. Participants demand the simultaneous fulfilment of both hygiene and motivating factors. Furthermore, they seek both financial and non-financial rewards. Wellness initiatives are urgently required, as workers are experiencing elevated levels of stress and anxiety and require a better work-life balance.

6. Conclusion

Senior leadership should concentrate on comprehending the work-related issues faced by employees. As suggested by Gąsiorowska and Zięba (2023), this study proposes that the UGC must adopt a holistic approach to ensure that workplace well-being is embedded within the organisation's culture. Employee well-being initiatives, such as physical and mental health improvement programmes, work-life balance schemes, and training and skill development opportunities, should be developed and implemented.

7. Limitation and Future Recommendations

The present study possesses certain limitations as follows:

- Participation of only a small number of key respondents in the survey.
- The sentiments, emotions, and behaviour of only female employees are used to analyse the organisational psychology of UGC.
- The future research should use Focus Group Discussion (FGD) with top management and officials from each division to thoroughly examine organisational psychology and identify ways to improve employee well-being and ensure high-quality performance.

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Resource Management for Nation-Building and Security

■ Dr. Jaya Raj Acharya

National Resource Management

The supreme objective of national politics is the management of resources for nation-building and security. This management has two aspects: Internal and External. Internal security management falls within the domain of domestic policy. External security cannot be guaranteed without robust internal security management. So, internal and external security management are two sides of the same coin. It is often said: “Where the circle of internal security ends, the circle of external security begins. Foreign policy is an extension of domestic policy. Domestic policy is the end; foreign policy is the means.”

When discussing Nepal’s security management, the priority should not only be the protection of the country’s soil or borders but also the security of the Nepali people. So, we have to talk about how the state is utilising or wasting its resources in providing health, education and employment for its people. Today, national security is discussed in terms of human security. However, this is not a new concept. One can read ancient texts like the Mahabharata and Kautilya’s Arthashastra. Bhishma Pitamaha’s advice to Yudhishtira regarding the human security and human and economic resource management of a nation is enlightening: “There is no being greater

than man; working for his welfare is the first duty of the state, and that the ruler should collect tax from the people in a reasonable way and make them prosperous thinking that what they have is a reserved resource that he can use at the time of dire needs.”¹ Accordingly, the activities of Nepal’s legislature, judiciary, and executive – including politics, administration, diplomacy, and security agencies – must focus on the welfare of the Nepali people but it does not seem that the Nepali people feel this is the case. The events of September 8-9, 2025 (Bhadra 23-24, 2082 BS), showed that the public is irate with all the three apex organs: legislature, executive, and judiciary.

People’s Basic Expectations

People’s basic expectations from the government are access to (1) health services, (2) good quality education and (3) employment opportunities. We hear that in neighbouring Bhutan, health and education are 100% free. However, the very basic health services are unavailable to the Nepali people, even in urban centres and more so in rural areas. Perhaps in light of this bitter reality, news came a few years ago that foundation stones were laid for health posts in all 753 municipalities at once. However, later, news also came that even after many years, not a single health centre was built.

Painful news of women losing their lives because they could not receive maternity care continues to surface. While this is the situation on one

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1. गुह्यं ब्रह्म तदिदं वो ब्रवीमि । न मनुष्यात् श्रेष्ठतरं हि किञ्चित् “I tell you this: Brahman is an unknown secret; there is nothing superior to man” (-The Mahabharata Shanti Parva, 299.20) and राष्ट्रमप्यतिदुग्धं हि न कर्म कुरुते महत् । यो राष्ट्रमनुगृह्णाति परिरक्षन् स्वयं नृपः । सञ्जातमुपजीवन् स लभते सुमहत् फलम् । आपदर्थं च निर्यातं धनं त्विह विवर्धयेत् । राष्ट्रं च कोशभूतं स्यात् कोशो वेश्मगतस्तथा । “An excessively milked (taxed) nation cannot accomplish any great mission because its people are impoverished by exploitative tax. The ruler should sustain his regime only on prudently earned

hand, on the other, thousands of young doctors are reportedly unemployed. Malnutrition is widespread among children in rural areas. This problem is particularly severe in the hilly districts of Lumbini, Karnali, and Sudurpashchim. Poverty and malnutrition are rampant in the Tamang and Chepang communities of Dhading, Makawanpur, and Chitwan – districts adjacent to the capital. News of lives lost after eating wild poisonous mushrooms is heartbreaking. This shows the government's failure in managing national resources properly.

Bhangbanda and Bad Management

Reports of student unions locking down universities for long periods of up to several months (and in a case up to a year) are frequent. It is reported that in Tribhuvan University (TU), the country's first university, some departments are empty of students so that they face closure or merger. Furthermore, it is reported that even for specialised medical education, there aren't enough applications to fill the designated quotas. Students are so apathetic to their own degree that they do not attend the convocations, which are not held regularly. In 2025, only 16,000 graduates attended the 51st convocation of TU although 89,000 were qualified to do so.²

Because quality education is unavailable within the country, reports continuously appear in the press about parents exhausting their savings to send their children abroad – not just for higher education, but even for primary and high school education – resulting in billions of Nepali rupees flowing out of the country.³

From primary to high school, the education sector appears to be a victim of over-politicisation and corruption. Teachers becoming members of the 'sister organisations' of political parties, and drawing salaries without teaching have ruined the foundation of education. While some wealthy individuals educate their children in expensive

private schools funded by domestic or foreign investment, these students eventually go abroad, and the country continues to lose quality human capital and wealth. On one hand, anomalies like unnecessary political interference, a culture of power-sharing (Bhangbanda), neglect of study and research, irregularities in the examination system, and corruption in administration have led to a crisis of public confidence in higher education. On the other hand, there are reports of efforts to open new universities. Their justification is questionable.⁴

Bleak picture of Employment Opportunities

In the area of employment, management failure is even more evident. About 2,000 youths leave the country seeking employment every day.⁵ Despite the abundance of land, water, forests, herbs, and manpower, millions of Nepali youths are going abroad in search of work. They are going not only across the border to India but also to Gulf countries, Malaysia, Korea, Japan, and even Europe and America through legal and illegal means. While much of the land in both the hills and the Tarai remains fallow, the abundant water resource remains to be utilised.

Water Resource and Energy

Nepal's vast natural wealth, water resources, can be utilised not only for electricity production but also for irrigation. However, it is sad to note that while small private Nepali hydropower companies take the initiative to produce electricity using their own resources, the government is heard to entangle them in various hassles instead of providing facilities and encouragement. Consequently, Nepal still imports electricity at high prices from India. Therefore, the following ideas regarding water resources and energy management for Nepal's economic and social development seem worth considering:

2. *The Gorkhaptra Paush 6, 2082 (December 21, 2025).*

3. *विदेश अध्ययनमा दुई म.4. विदेश अध्ययनमा दुई महिनामै २८ अर्ब, यसै अवधिमा विदेशमा पढ्न गत वर्ष बाहिरिएको रकमभन्दा यो वर्ष झण्डै पाँच अर्ब रूपियाँ बढी In two months 28 billion Rupees went out for education abroad, The Kantipur Daily (November 5, 2024).*

4. "भागबण्डा नमिल्दा रोकियो त्रिवि को दिन र क्याम्पस प्रमुख नियुक्ति," कान्तिपुर नोभेम्बर १८, २०२४।

5. "दैनिक दुई हजार युवा रोजगारी खोज्दै विदेश, युवा स्वरोजगार कोष एक वर्षदेखि नेतृत्वविहीन", गोरखापत्र, साउन ८, २०८२ (July 23, 2025).

1. Energy is the basis of a country's independent existence, security, and development. No country can remain independent without energy, let alone develop. Nepal is politically independent but dependent regarding energy. During a blockade from India, our stoves don't burn, and vehicles don't run. The country comes to a standstill. This is a misfortune we have created and maintained.
2. Therefore, considering global warming, environmental change, and our country's circumstances, there is a strategic need to make Nepal a country run 100% on clean, green, or renewable energy. For this, Nepal has three potential sectors: water resources, solar energy, and wind. Experts should determine which sector offers the most benefit from the least investment. If we can produce and distribute electricity cheaper than our neighbours, we can lead the competition. Thus, all political parties and their leaders must declare a strategy to make Nepal 100% green/renewable energy-powered by a certain date (as soon as possible). Policies must be made and implemented honestly.
3. To date, Nepal's largest trade deficit has come from fuel imports. The increasing use of electric vehicles and bikes is welcome. The installation of thousands of charging stations across the country must happen on a war footing, and there should be a strategy to bring the use of fossil fuels (except aviation fuel) to zero. The possibility of supplying aviation fuel from the petroleum deposits found in Dailekh must be pursued with urgency.
4. From a strategic perspective, while increasing electricity production, the public should be encouraged to use electric stoves, refrigerators, and air conditioning instead of cooking gas. Fortunately, the economic capacity of the Nepali people is slowly increasing, and the domestic demand for energy, especially electricity, is growing and will continue to grow. We must also adopt a policy of using more cable car technology for transport in hilly Nepal.
5. If cold storage centres for preserving milk, fruits and vegetables are established nationwide, domestic electricity consumption will increase. Furthermore, preserving our farmers' produce will reduce the consumption of pesticide-laden vegetables and fruits imported from neighbours, thereby reducing the trade deficit. The situation where our farmers protest by throwing milk and vegetables on the road is shameful. It is necessary to provide hydro energy to our farmers for irrigation as well. In the long term, Nepal could consume at least 50,000 MW of electricity internally.
6. The policy should encourage and prioritise domestic investors in the production of hydropower or other green energy, providing them with tax exemptions and maximum facilities. Only if their capacity is insufficient should neighbours, India and China, be invited to invest. However, it is essential to build mutual trust and a reliable environment with China and India to participate in programmes beneficial to Nepal.
7. The greatest challenge to our foreign policy or diplomacy today is the crisis of mutual trust. This can only be addressed by a patriotic political leadership with high morality, honesty, and vision, combined with diplomatic brilliance. The unnecessary disputes over the MCC and the confusion and delay after signing the BRI have exposed our political-diplomatic capacity or lack thereof.
- 8.

Managing Agriculture and Trade

In the agricultural sector, despite being a country of great potential, Nepal has not become self-sufficient in food grains and vegetables through proper land management. To date, there isn't a single chemical fertiliser factory in the country. If establishing a chemical fertiliser factory is not feasible or desirable for various reasons, technologies now exist to open organic fertiliser factories. Some individuals and small companies have shown interest in doing so, but they face neglect and red tape instead of encouragement.

Ideally, small organic fertiliser factories should be operating in every district of Nepal. However, such thinking is not heard of among the leadership. Only the news of farmers facing fertiliser shortages during planting seasons is frequently printed with photos.

The Ministry of Agriculture is said to be the largest in terms of manpower and budget, which is natural given our agrarian economy. Yet, it also faces the most problems and challenges. It is reportedly rife with commission-seeking and irregularities. Negligence in this sector reveals a major weakness in our national and human security management. This is the result of a lack of vision in national management. According to 2022-23 data, agriculture contributes 24.12% to Nepal's GDP, industry 13.45%, and the service sector 62.63%. If 66% of Nepalis are involved in agriculture but contribute only 24.12% to the GDP, most farmers are clearly engaged in subsistence farming.

While this is the case, painful news continues to surface about farmers who produce rice, wheat, sugarcane, vegetables, and milk but fail to get fair prices or markets, suffering exploitation by middlemen and injustice and even injury from the government.⁶ Nepal, which used to export rice in the past, imported rice worth 47 billion rupees in 2024. Fruits are imported from China, India, and even Japan. This is another glaring example of our inability to manage national resources. We are currently in a position of exporting unskilled labour and importing food including fruits and vegetables. Ironically, manpower companies exporting workers and consultancies exporting students are thriving in Nepal today.

Managing Macroeconomics

The statistics of Nepal's overall foreign trade are very concerning. The total foreign trade is almost

as large as the country's annual budget, and the deficit is nearly as large. The largest trade deficit is with India, followed by China, which is natural due to geographic proximity. However, the most worrying part is that we are in a deficit with almost every country. Even with Bhutan, the deficit was 126 billion rupees as of 2023; it has most likely increased since.

The Nepali economy is sustained by remittances and foreign aid. Internal revenue is insufficient even to pay civil servants' salaries, forcing the government to take public debt. Despite having abundant internal resources, the failure to manage and benefit from them is due to the current national leadership's lack of vision, politics focused on narrow personal and party interests, impunity from various corruption scandals, over-politicisation of national bodies including the administration, factionalism, and lack of discipline. Consequently, the country has fallen into a bottomless pit. It has been placed on the grey list by the intergovernmental body Financial Action Task Force (FATF).

Managing the People's Trust

It is worth recalling a quote by the late Mahesh Chandra Regmi, a renowned scholar of Nepal's economic history. He said, "For the total mobilisation of human and physical resources, for whatever purpose, a very high level of political and administrative vision, discipline, and effective performance-capacity is required. Therefore, one can only hope that today's Nepalis will be able to develop the same qualifications (or qualities) in the reconstruction of their country that our ancestors showed while laying the foundation of this nation."⁷

Now, let us look at the current situation in contrast. The greatest worry is that the state has lost the public's trust and its support. This

6. *For instance, Syangja district alone in central mountains of Nepal produced oranges worth Rs. 1.32 billion in the current fiscal year (2025-26),* *The Rising Nepal*, January 5, 2026. *That is very good news but the question is: how about the storage, transportation and marketing facilities for the farmers who are forced to sell their produce at a very low price? Such facilities are the responsibility of the government which is found to be utterly negligent about it.*

7. *As quoted by Yadu Nath Khanal in Nepal: Transition from Isolationism, Kathmandu: Sajha Prakashan, 3031 B. S (1977), p. 102.*

is evident not just among unemployed youth, but even among serving personnel in the Army, Police, and Armed Police Force who resign to go abroad, even risking death in the Russia-Ukraine war. This shows the government's managerial incompetence and a crisis of people's confidence.⁸

Lessons from History

In this context, questions such as why the Nepal Army was born are relevant. The Nepal Army was formed by King Prithvi Narayan Shah of Gorkha for the campaign of unifying Nepal. Had the unification of the 22 and 24 principalities (Baise-Chaubisi Rajya), the three kingdoms of the Kathmandu Valley, and the eastern provinces not occurred, Nepal, like various Indian states, would have become part of a British colony, and Nepal might not have existed today. The national unification campaign lasted from 1743 to 1815-16, ending with the Treaty of Sugauli after the war with the East India Company. Nepal lost land in Kumaon and Garhwal and all of the Terai. The 1815 treaty was revised in 1816; returning the Terai from Rapti to Mechi, and later in 1860, Banke, Bardiya, Kailali, and Kanchanpur (called 'Naya Muluk') were returned, stabilising the map of present-day Nepal. It is also worth remembering that Nepal fought a war with its northern neighbour, Tibet, too.

While reflecting upon what Mahesh Chandra Regmi said about our ancestors' mobilisation of limited human and physical resources during the founding of this country, the creation and management of the organised army comes to the forefront. The Gorkhali army was formed for a clearly specific purpose: national unification. However, there was no money to pay the army. So, the land won in the war was given to soldiers as 'Jagir' according to their rank, which they would give to tenants to farm and take a portion of the harvest. Today, questions are raised about the size and purpose of Nepal Army. This is natural. However, the current national leadership lacking in any vision for national security, such questions are sporadically raised and then they

fade away into nothing. Serious policy discussion on this matter is necessary as there are issues of desertion coupled with the retirement from the security forces as mentioned before.

Current Security Concerns

Nepal's primary concern today is national security, which is natural. Therefore, we must understand that national security is a matter of multidimensional management of its resources. So, the question is: what does national security mean: security of the soil, area, people, society, economy, or culture? Weapons, explosives, and ammunition are necessary not only for the defence forces but also for road construction and other purposes. So, the question is: can we produce what we need ourselves, or do we have to import?

If hungry citizens are forced to sweat on foreign soil, it is neither human security nor food security that the country is providing. Agriculture, the main source of food, is essential not just for the army but for all citizens. The conditions under which Nepal participated in unification or the World Wars I and II do not exist anymore. The days of the Maoist insurgency are also gone. Today, we are not in a position to increase borders or settle disputes by fighting wars with our two neighbours.

This is where national security must be understood broadly as a multidimensional issue. Only then can the discussion proceed regarding the required size of the Nepal Army and its management within the multidimensional aspects of national security. We take pride in the fact that Nepal was never colonised. That is good. But it is a matter of great shame that we remain an under-developed country. The question we have to ask ourselves is: who made a country that has been independent for thousands of years so underdeveloped? And what must we do now? This is the fundamental question for Nepal today.

Now, we must reflect on how our ancestors mobilised limited manpower and physical resources in our difficult geography and

8. “५ वर्षमा १० हजार सैनिक र प्रहरीले जागिर छाडे, उमेर पुगेर अवकाश पाउने भन्दा राजीनामा दिनेको संख्या दोब्बर, आर्थिक अभाव नै मुख्य कारण, तल्लो तहका जागिर छाड्नेहरू प्रायः वैदेशिक रोजगारीमा (- कान्तिपुर दैनिक, शुक्रबार दिसम्बर २७, २०२४)।

circumstances to establish present-day Nepal. This raises the pointed question of whether the current leadership has that vision and capacity. We must discuss ‘what our mission is’ today and ‘what manpower and resources we need’ to accomplish it.

The phrase ‘reconstruction of one’s country’ in Mahesh Chandra Regmi’s quote is a matter of critical deliberation. The historical challenge (economic, political, and diplomatic) of present-day Nepal is its development or reconstruction. The basic needs of the people (health, education, and employment) must be met. For that, basic infrastructure (hospitals, schools, roads, bridges) must exist or be built anew, and maintained and managed properly. Who will build them? Who will manage them? Donors or ourselves? No foreign power helped us in our mission of national unification. On the contrary, we established our country by fighting foreign powers. Today, we shamelessly beg for foreign aid for our development. This raises the question of our capacity in national resource management.

Owing to Nepal’s topography, various disasters strike every year. Floods and landslides (avalanches and glacial lake outburst floods) occur in the mountains, while dry landslides and rain-induced landslides kill thousands annually in the hills. Earthquakes are equally frequent as the Himalayas are a high-risk zone. The Gorkha earthquake in 2015, Doti in 2022, Jajarkot in 2023, and massive loss of life and property due to incessant rains in 2024 and 2025 across Koshi, Bagmati, and Gandaki provinces highlight this reality. The Terai faces inundation every year. Preparing for such disasters and making strategies to build infrastructure accordingly is, and must be, a major priority of national security management.

Foreign Policy Management

Having discussed internal security, now let’s look at external security. Professor Karl Wolfgang Deutsch of Harvard University, a renowned scholar of international relations, wrote:

“The foreign policy of every country deals first with the preservation of its independence and security, and second with the pursuit and protection of its economic interests (particularly those of its most influential interest groups). Deeply involved with these interests – in the case of the major powers, at least – are a concern with resisting any penetration and manipulation by foreign countries and ideologies, and an unblushing effort to accomplish some active penetration and manipulation of their own. Finally, closely linked to the national security, economic, and clandestine warfare interests of each major power are its policies of economic aid to foreign nations, its efforts to spread its own national and ideological propaganda in foreign countries, and its support of cultural and scientific exchange missions favorable to that end.”⁹

Regarding Nepal’s external security, it can be said in one sentence: Nepal faces no immediate threat of military attack from India or China although it is vulnerable to all other kinds of pressures and manipulations from every major power of the world. Although it is in the interest of both neighbours to respect Nepal’s independence, sovereignty, and territorial integrity, at least in principle if not in practice, they will certainly continue to exert other forms of pressure. If Nepal faces a major security threat, it is the threat arising from internal mismanagement. Yet, a ‘bogeyman’ of insecurity is presented, and slogans of patriotism are raised at high pitch. It would be excellent if these patriotic slogans were accompanied by strategies to develop the country internally and eliminate or minimise the trade deficit with India and China and many other countries. Instead, the trade deficit grows daily. Therefore, it must be said: first, reduce over-dependence on India, and only then play the politics of patriotism. But the opposite is happening. Anti-India slogans are raised while dependence on India – for petroleum and

9. *The Analysis of International Relations, (2nd edition), New Jersey: Prentice-Hall Inc. 1978, p. 100.*

construction materials, food and everything else – increases alarmingly.

The 1990 (2046 BS) people's movement succeeded in restoring a multi-party democratic system, but it failed to develop a clear and practical perspective on national development and foreign relations. Leaders in the post-1990 era lacked a consistent strategy to reduce dependence on India and strengthen sovereignty and self-reliance. Nepal became a republic in 2008, but no policy changes or new programmes followed. Constituent Assembly elections were held twice. Finally, a new constitution was promulgated in 2015, which resulted in a five-month-long blockade by India. Regarding this case, leaders in both Nepal and India showed a lack of long-term vision. They failed to understand each other's sentiments, and there was a lack of political-diplomatic dialogue.

Instead of improving relations, tensions with India continue. An Eminent Persons Group (EPG) was formed in January 2016 to address all bilateral problems, but rather than starting a new chapter of improved relations, India refused to even receive the report – an embarrassing situation indeed. Now, this report itself has become a source of irritation. In May 2020, Nepal, in response to India's inauguration of road to Tibet through Kalapani-Lipulek area, issued a new map claiming area up to Limpiyadhura as its own territory, which further strained relations. This is a major challenge in foreign policy management.

Apart from repeating the constitutional clauses on foreign relations, nothing else is heard from leaders. There seems to be no thought on foreign policy priorities. Consequently, Nepal has failed to manage relations with India, China, and the US rationally. For instance, treaties for cooperation or aid – Mahakali, BRI, and MCC – have all been disputed along party lines. Then the question arises if it is what the 'democratisation' of foreign policy means. If we do not address these questions and develop the country economically and socially, we will be failing a historical necessity.

The 'Kingdom of Nepal' has become the 'Republic of Nepal'. The country is moving from a parliamentary republic toward a people's republic. This is a major change in internal politics. The Licchavi, Malla, Shah, and Rana dynasties have

fallen into the pages of history. We talk of building a 'New Nepal'. However, our thinking on foreign policy remains old. As a small and economically weak nation between two Asian superpowers, China and India, Nepal must consider the games of external powers when thinking about national security. International relation is a game of power, and diplomacy is a type of cold war. It is said: "The strong do what they can, and the weak suffer what they must." Thus, we cannot think of national security without thinking of foreign policy priorities.

In this context, we must accept that the first foundation of our national security is our economic and social development. A poor nation like Nepal cannot survive solely through diplomatic cleverness without being economically prosperous. Our ancestors left us a politically unified Nepal, but due to economic deprivation, Nepal today seems to be on its deathbed. The reason for cries for provincial autonomy is economic imbalance and lack of development rather than political imbalance.

National Priority

Today, Nepal needs to set economic and social security as its priority. This means developing a balanced and productive national economy. Political progress must be inclusive, ensuring proportional participation and benefits, so every Nepali feels their welfare – material, moral, and spiritual – is tied to national life. Without such development, the country cannot be secure. Talk of state restructuring without economic development and integration could turn into state disintegration. Today, the threat to national security is greater from within than from without.

There are several reasons for prioritising economic and social development. First, it is a historical necessity – the unfinished work left by our ancestors who unified the nation. The primary goal of foreign policy is independence, which still exists to some extent. Yet we feel insecure, fearing our neighbours might 'swallow' us or exert undue pressure on us. Even prominent leaders sell this fear to the public because we are weak and poor. In contrast, Switzerland, a landlocked hilly country three times smaller than Nepal, surrounded by Austria, Germany, France and Italy, does not feel

insecure because it is more economically and socially developed than its neighbours.

During the unification of Nepal, Prithvi Narayan Shah outlined methods for economic development, warning that the country would remain insecure without it. But we are not following those methods. Instead, we neglect them and talk of developing the country by begging for foreign aid. This irony deserves our attention. After the Sugauli Treaty in 1815-16, our territorial expansion ended. We should have then focused on internal development and national unity, but we didn't. Instead, power struggles led to the Kot Massacre in 1846 and the long Rana rule, during which development remained stagnant. After the 1951 (2007 BS) revolution, the national need was economic and social development. Post-revolution leaders like Tanka Prasad Acharya (who formed the first five-year plan and Planning Commission) and B.P. Koirala understood this. B.P. Koirala's government implemented land reforms, abolished the Birta and Raja Rajauta systems, established 2,200 schools in (1959-60), and founded Tribhuvan University. But on December 15, 1960, King Mahendra dissolved the parliamentary system, halting that momentum. The essential prerequisite for national security – economic and social development – was somewhat delayed although there certainly were notable efforts to build road and industrial infrastructure as prerequisites.

After the 1990 movement ended the King's direct rule called 'Panchayat system', social and economic development should have resumed on a war footing, but it didn't. Now, the monarchy is gone, and the country is a republic, but we still haven't internalised the urgency of an economic and social development campaign. We talk of economic diplomacy, but it is limited to asking for aid and exporting manpower. We must understand that no country in the world has developed solely through foreign aid without utilising its internal human and natural resources. We suffer a huge trade deficit. To reduce it, we must promote tourism, sell hydropower, make agriculture more productive and of better quality, and develop education and health into sectors that can earn foreign currency. For this, the national leadership's priorities must be clear.

Conclusion

In this regard, we can remember Prithvi Narayan Shah, Jung Bahadur Rana, King Mahendra, and B.P. Koirala, who were clear about their priorities and ready to take bold steps. Currently, Nepal does not seem successful in internal management or foreign diplomacy as it was in the past. Nepal could advance its development by mobilising internal resources even without foreign aid, but it isn't. This is because the current leadership works for personal or party interests rather than the overall national interest. By doing so, they lose the trust of their own people and foreign friends, especially neighbours.

When we speak of our national interest, relations will only be harmonious and fruitful if we also consider the interests of our friends and neighbours. No one is interested in a one-sided benefit. It is essential for Nepal to win everyone's trust. The prerequisites for this are: (1) political stability, (2) internal economic-social development, and (3) proper management of national resources and strengthening of national institutions. Then we can talk about balanced relations with our neighbours and global powers.



Higher Education Management in Nepal

■ Kamal Krishna Joshi

“University is a dynamic living social institution nourished and nurtured by the society. It evolves, adapts and mutates as time moves on. Universities thus must serve the societies on which they subsist.”

Universities in Nepal are no exception. They subsist on society and must aim to serve it. However, have we ever looked back to see how much of our effort is dedicated to the community and to what extent it has been effective? Are all institutions providing higher education responding rightly to society’s needs? We know these needs shift with global trends in higher education, the continuous development of technology, and the changing requirements of sustainable development goals. Our academic leaders, the government, political figures, opinion leaders, civil society, students, and guardians should be expected to take a continuous interest in the performance of Nepal’s universities and remain critical in their observations.

Deep-rooted problems in Nepal’s higher education management include political interference and bureaucratic inertia. Key leadership positions, such as Vice-Chancellors, Rectors, and even campus chiefs, are often filled based on political allegiance rather than academic merit or managerial competence. Many other issues within these institutions are frequently discussed in academic and social circles. Yet, despite repeated criticism from the intelligentsia, leaders and authorities have shown no response. Until they realise the seriousness of these problems, they will remain barriers to progress and hinder universities from better

serving society.

Universities must enjoy full autonomy in practice while receiving continuous support from the government and all other stakeholders. Their leaders are expected to understand the measures required to run these institutions smoothly, imparting quality education while fostering a robust research environment with ample facilities for both faculty and students.

Present day universities are expected to have at least:

- Qualified teachers recruited on the basis of meritocracy,
- Timely updated curricula must be apt for continuously changing social needs and stand gracefully with global trends in supporting the achievement of sustainable development goals. Wherever possible, these curricula must incorporate internship programmes. A new method of teaching is rising, where both theory and practical classes are amalgamated in a single room under the principle of ‘learning while working’.
- Exposure of faculty members and students to different universities and related agencies or research institutions at home and abroad by organising observation tours for sharing knowledge.
- Carefully designed academic calendar and sticking to it are instrumental for effectively achieving goals in time.
- Students must have access to facilities for various forms of extracurricular activities. The national pride of different countries often rises from among the students of

institutions or other organisations that provide high-quality facilities for such activities.

- Universities must develop adoptive capabilities to new technology developments. Today, AI may contribute a lot if used properly in our education system. Institutions delivering higher education cannot ignore AI and stay refrained from AI's possible contributions.
- The system of affiliating private and community campuses to universities is either never practiced or has been abolished in many renowned universities worldwide. In Nepal, this system was adopted long ago, however, experience shows that regular oversight from the mother university or the University Grants Commission is both difficult and expensive. It is therefore recommended to abolish affiliation within the university system and allow affiliated campuses to operate as autonomous institutions providing undergraduate courses. These campuses should develop their own curricula, conduct examinations, and award certificates. However, they must successfully prove they are qualified for quality assurance and accreditation from the authorised body. This system was recommended in a World Bank-supported Higher Education Project for Tribhuvan University but has not yet fully materialised. Consequently, it is recommended here to reconsider and implement the programme.
- The introduction of work-study programmes may help broaden access to higher education. Household financial constraints must not limit this access. Moreover, if there are ample opportunities for reasonably paid part-time jobs, they serve as welcoming gates for foreign students as well. A significant number of international students in a university indicates both good governance and a remarkably high quality of education.

It is worth mentioning the establishment of South

Asian University, a common educational entity of SAARC nations, and the decision regarding its location. It was open to all member countries to host the proposed university within their borders. Nepal did not venture to establish it here because the host country is expected to finance the initial expenditures for land and building construction. In addition, the host country must share the recurring expenditures indefinitely. As a SAARC university, it naturally draws students from all member nations. Away from home in a foreign country, many students may lack access to the university due to financial constraints. However, if part-time jobs are available in the university's vicinity, they may manage to sustain their studies. Taking this into consideration, New Delhi, India, was unanimously selected as the site for South Asian University.

In Nepal, 17 universities are already in existence. Established by central and provincial governments, the majority offer programmes in Humanities, Management, Education, and Natural Sciences. A few provide technical courses in Engineering, Medicine, Agriculture, Forestry, Applied Sciences, and Technology. There are also universities with programmes in Law, Sanskrit, Buddhist Studies, Natural Resource Management, and Ayurvedic Medicine. Many of these offer Master's and Ph.D. programmes, while some of the older universities continue to provide bachelor's programmes as well.

Political leaders are interested in opening more universities merely to demonstrate that they have brought an institution to their constituencies. They care neither for the necessity of university mapping nor for the infrastructure required for such an entity. Furthermore, they never show concern for the disciplines to be taught. Their primary goal is simply to place a university under the financial responsibility of either the federal or provincial government. They are entirely unaware of the potential consequences the entire national education system may face due to the unplanned establishment of universities. Consequently, there is an urgent need to study and determine exactly how many more universities are required in Nepal and of what nature they should be.

Unfortunately, the current trend of students leaving the country for further studies is steadily increasing, leaving universities and campuses

with student numbers below their capacity. The primary countries of choice for outgoing students are India, the USA, Australia, the UK, and Canada, though students also look toward Germany, France, Japan, China, and Scandinavian countries. In the Fiscal Year 2024/25 alone, Nepali students spent approximately Rs. 138.48 billion on education abroad, including travel and study expenses, which is an increase from previous years (The Diplomat). While expenditure figures vary by source, the main reason students go abroad is the assurance of securing a job after graduation. In Nepal, job opportunities are rare, and often only candidates close to influential persons secure employment.

Students also seek quality education, which they perceive to be superior in foreign countries. It is a pity that our university leaders have failed to reassure them that the quality of study in our own universities is not inferior. Thirdly, students believe they can study abroad without financial

support from home, often hearing that part-time jobs allow them to maintain both their living expenses and their studies. However, they are often unaware of the extent of the struggle and the problems they will face.

To address this issue, universities and the government of Nepal must work together to retain students by promoting the quality of studies, making part-time jobs available, and creating working opportunities and a supportive environment after graduation. These are the demands of our society, and it is the responsibility of universities to address them successfully with the help of the government and stakeholders. Our efforts in managing higher education will bear fruit, making our system more competitive, innovative, and globally recognized, only when we seriously focus on these areas and address them throughout our journey of higher education management.



Requirement of Law on Conflict of Interest Management for Good Governance in Nepal

■ Lila Devi Gadtaula

Abstract

Conflict of Interest (Col) in public administration undermines impartiality, transparency, and public accountability, thereby shaking the very foundation of good governance. Although the Constitution of Nepal expresses a commitment to ensuring good governance, transparency and accountability, it is evident that there is still an absence of a clear, comprehensive and effective legal framework for managing conflicts of interest of public officials. This article delves into why a law on 'conflict of interest' management is indispensable in Nepal's public administration. It also identifies important lessons that Nepal can learn based on the comparative practices of other countries.

Introduction

Public administration is the executive mechanism of the state that translates political decisions into practice. In recent decades in Nepal, public trust in public institutions has been declining due to corruption, nepotism, favoritism and private interests. One of the causes of these problems is the absence of a clear law to prevent and manage conflicts of interest. Nepal's public administration system is based on the principles of constitutional democracy, rule of law, and good governance. The Constitution of Nepal obliges public officials to work in the interest of the people. However, in practice, incidents where personal, familial, economic or political interests influence policy formulation, public procurement,

license distribution, tax administration, decisions of regulatory bodies, and management of public resources have weakened public trust in good governance.

When the private interests of a person holding public office influence their official duties, such a situation is referred to as a conflict of interest. The interests of a person holding public office include not only their own interests but also the interests of family members, partners, relatives, close friends, associates, or persons with whom they have business, political, or emotional relationships. A conflict of interest is a situation in which the personal or professional interests of a public office-holder may affect the impartial performance of their official duties. Even if it does not appear as actual corruption, it creates a risk of corruption. Therefore, in modern public administration, conflict of interest management is viewed as a preventive tool of good governance.

Conflict of Interest refers to a situation in which a conflict arises between the private interests (financial gain, family relations, political inclination, or future employment security) of a person holding public office and the public duties they are required to perform. According to the Organization for Economic Cooperation and Development (OECD), a 'conflict of interest' involves a conflict between the public duty and private interests of a public official, in which the public official has private-capacity interests that could improperly influence the performance of their official duties and responsibilities.¹ In public

1 <https://legalinstruments.oecd.org/public/doc/130/130.en.pdf> (3 January 2026) OECD, *Managing Conflict of Interest in the Public Service*

■ Chairperson, Commission of Investigation on Enforced Disappeared Persons

administration, such conflict becomes serious when the decision-maker prioritises personal gain and causes harm to the public interest.

Conflict of interest may not always manifest as corruption, but it increases the risk of corruption.² Common examples of conflict of interest include a public office-holder giving preference in contract processes to a company established by family members or relatives, officials in regulatory bodies being involved in private businesses, policymakers formulating policies that benefit sectors in which they themselves are involved, or actions taken while holding public office that are intended to benefit oneself after leaving that position.

According to the G20 High-Level Principles for Preventing and Managing 'Conflict of Interest' in the Public Sector (adopted in 2018), conflicts of interest generally include the following essential elements³:

- a) Public official: Qualified persons defined as public officials under the laws of their country.
- b) Official/authorized function: Decisions taken by a public official in the course of performing official duties, participation in deliberation processes, making recommendations to carry out certain tasks, and similar actions.
- c) Private interest: The private interests, generally of an economic nature, of a public official or related persons or legal entities, which may be affected by official actions.

(OECD Publishing, 2003)

2 Michael Johnston, *Syndromes of Corruption* (Cambridge University Press, 2005).

3 *Defining conflicts of interest* Jurisdictions define conflict of interest differently, but the following elements are usually present:

Public Official: Covered individuals qualify as public officials under the domestic law of the country;

Official action: The covered individual takes an action in his or her official activity including making decisions or otherwise participating substantially in the official process of deliberation, action or recommendation to act, where the public official plays a role;

Private Interest: The covered official, or other persons—including legal entities—linked to the official has a private interest, usually of pecuniary nature, that may be affected by the official action.

Meaning and Nature of Conflict of Interest

Conflict of interest refers to a situation in which a public official, while making decisions in their official capacity, faces a clash between private interests and public interest. According to the OECD, conflicts of interest may be actual, potential, or perceived.⁴ The important point is that conflict of interest is not in itself a criminal act. However, if not managed, it opens the way to corruption, abuse of authority, and policy capture.

In international practice, conflicts of interest are classified into three types:⁵

- Actual Conflict of Interest
- Potential Conflict of Interest
- Perceived or Apparent Conflict of Interest

All these types of conflict share a common characteristic of reducing public trust in public decision-making.

Impartiality, equality, and reasoned decision-making are considered indispensable in public administration. Conflict of interest directly affects policy formulation, public procurement, public appointments, permits, foreign assistance, and regulatory decisions. In developing democracies, it creates the risk of transforming the state into a tool of powerful elites.⁶

Major drivers of conflict of interest include economic temptation, subject-matter interest, loyalty to other individuals, concern, and emotion, all of which reduce the reliability of individual decisions. Effective management of conflict of interest means preventing those in power from misusing their positions and offices for private interests. Preventing conflict of interest is not only a national responsibility but also an international obligation. Issues related directly or indirectly to conflict of interest are included in the United Nations Convention Against Corruption (UNCAC), 2003⁷, which Nepal signed in 2011. The convention states that conflicts of interest should not exist not only in the public sector but also in the private sector.

4 Mark Bovens, *Public Accountability*, Oxford University Press, 2007.

5 *Ibid.*

6 Mark Bovens, "Public Accountability," 13 *Oxford Handbook of Public Management* (2007).

7 UNCAC Article 8, 9, 12, 17

Conflict of Interest Management in Nepali Law

The preamble of the Constitution of Nepal envisions good governance and the rule of law. Provisions across various parts and articles of the Constitution, including the preamble, fundamental rights, state policies, directive principles, constitutional appointments, establishment of constitutional bodies, judiciary, and the executive and legislative structures at federal, provincial, and local levels, uphold the principle that impartiality, equality, proportional representation, transparency, and fair distribution of resources must be ensured, reflecting the recognition that conflicts of interest should not exist.

In Nepal, attempts have been made to manage conflicts of interest through certain laws related to the executive, judiciary, and legislature. For example, these include the Employees Provident Fund Act, 1962; Citizen Investment Trust Act, 1991; Civil Service Act, 1993; Telecommunications Act, 1997; Nepal Chartered Accountants Act, 1997; Nepal Health Service Act, 1997; Nepal Rastra Bank Act, 2002; Prevention of Corruption Act, 2002; Companies Act, 2006; Securities Act, 2007; Public Procurement Act, 2007; Good Governance (Management and Operation) Act, 2008; Judicial Council Act, 2016; Banks and Financial Institutions Act, 2017; Electricity Regulatory Commission Act, 2017; Muluki Criminal Procedure Code, 2017; Muluki Civil Procedure Code, 2017; Supreme Court Rules, 2017; Madhesi Commission Act, 2017; Language Commission Act, 2017; National Dalit Commission Act, 2017; National Women Commission Act, 2017; National Inclusion Commission Act, 2017; Indigenous Nationalities Commission Act, 2017; Tharu Commission Act, 2017; Muslim Commission Act, 2017; Insurance Act, 2022; Nepal University Act, 2024; and the Rules of Procedure of the House of Representatives and National Assembly.

Although some existing laws in Nepal attempt to address conflict of interest management directly or indirectly, these legal provisions are not adequate in line with international practices and standards. The aforementioned law has conflict of interest provision, where the decision-maker must refrain from making a decision in

a situation where he or she might be biased based on personal or professional relationships. These provisions have failed to cover the diverse dimensions of 'conflict of interest' management. Managing conflicts of interest through existing sector-specific legal provisions does not appear feasible. To enhance good governance and strengthen democracy, managing conflict of interest is indispensable, and such management is only possible through a separate law, making it necessary to enact such legislation.

Although Nepali laws discuss conduct and integrity in relation to 'conflict of interest' management, there is an absence of a comprehensive law that clearly defines, prevents, and manages conflicts of interest. In this context, the need for a special law on 'conflict of interest' management for good governance has been strongly felt. Although existing laws attempt to address conflict of interest management to some extent, expected outcomes cannot be achieved due to the absence of the following elements:

1. Provisions are scattered and unclear across different laws.
2. No law defines conflict of interest.
3. Attempts focus only on the public sector and fail to include conflicts of interest in the private and non-governmental sectors within legal jurisdiction.
4. The existing legal framework fails to capture new forms and dimensions of corruption.
5. Existing laws are silent on the need for increasing international cooperation, collaboration, and coordination in 'conflict of interest' management.
6. There is no scope for the development and use of modern technology in 'conflict of interest' management.
7. Institutional memory systems, record-keeping, monitoring and evaluation systems, and the use of information technology have not been addressed.
8. Laws are silent on the recovery of assets acquired through personal interest and hidden abroad.
9. Decisions influenced by conflict of interest are not treated as offences, and

penalty and punishment provisions are inadequate.

10. Disclosure, recusal, and penalty systems are ineffective.

As a result, it has become difficult in practice to establish conflict of interest as a legally recognized issue.

Practices of Other Countries in Conflict of Interest Management

a. Japan

In Japan, conflicts of interest of public servants are strictly managed through the National Public Service Ethics Act, 1999, and the Ethics Code. Public servants are prohibited from accepting gifts, engaging in unauthorized contact with private companies, and are required to disclose assets and financial interests. An independent National Public Service Ethics Board monitors and takes action.⁸ Japan's distinguishing feature is its strong administrative ethical culture and strict enforcement, which makes the law effective in practice.

b. India

Although India does not have a separate conflict of interest act, conflicts of interest are regulated through the Central Civil Services (Conduct) Rules, the Representation of the People Act, and judicial interpretations by the Supreme Court. The Lokpal and the Central Vigilance Commission play monitoring roles. Currently, practices are evolving through the Public Procurement Bill and Conflict of Interest Guidelines to control interests in decision-making processes. However, due to the absence of a clear and unified law, implementation remains weak.⁹

c. Philippines

In the Philippines, there is a law titled Republic Act No. 6713¹⁰, "Code of Conduct and Ethical Standards for Public Officials and Employees." The purpose of this Act is to establish ethical standards for government officials and employees holding public office, provide allowances and

facilities, reward them, and impose penalties for prohibited acts and transactions.

d. Canada

In Canada, the Conflict of Interest Act¹¹ came into force on 9 July 2007. It considers the misuse of official power and responsibility by a public office-holder to fulfil their own or their associates' personal interests as a conflict of interest. The Act requires public office-holders to themselves ensure that their private and personal matters do not result in conflicts of interest; prohibits officials from participating in decision-making when they are aware of a potential conflict; restricts preferential treatment of specific persons or institutions; prohibits disclosure of non-public government information; prohibits misuse of office to influence decisions by others; and prohibits the use of position or power to perform acts in exchange for gifts or benefits.

Similarly, ministers and members of parliament are prohibited from arranging contractual benefits or advantages with public bodies or private entities affiliated with public bodies, and from using their position to enter into employment contracts with family members.

e. Azerbaijan

In Azerbaijan, there is a law titled "The Law of the Azerbaijan Republic on the Prevention of Conflicts of Interest in the Activities of Public Officials."¹² The objective of this law is to prevent conflicts of interest that may arise during the performance of duties by public officials.

The Need for a Separate Law on Conflict of Interest Management in Nepal

Although conflict of interest issues are mentioned in various scattered laws, codes of conduct, and directives in Nepal, effective implementation has not been possible due to the absence of a comprehensive and clear law. Therefore, there is a need for a separate law for 'conflict of interest' management.

⁸ National Public Service Ethics Act, Japan, 1999.

⁹ Central Civil Services (Conduct) Rules, India; Supreme Court of India, *Centre for Public Interest Litigation v. Union of India*.

¹⁰ www.pagibigfund.gov.ph/document/pdf/score-card/2015/RA%206713.pdf, accessed on 1st February, 2023

¹¹ <https://laws-lois.justice.gc.ca/eng/acts/c-36.65/>, accessed on 4th February, 2023

¹² www.commission-anticorruption.gov.az/upload/file/Conflict%20of%20interests%201%20Eng.pdf, accessed on 5th February, 2023

(i) Protection of the Democratic System of Governance

In democracy, public office is obtained through the trust of the people. Conflict of interest weakens representative governance and damages democratic values.¹³

(ii) Prevention of Misuse of Public Resources

Public administration manages public resources. When conflicts of interest exist, the risk increases that state budgets, natural resources, and opportunities will be concentrated in the hands of limited individuals.¹⁴

(iii) Risk of Policy Capture

Conflict of interest at the policy-making level can create a situation of policy capture, where powerful groups manipulate policy for their own benefit.¹⁵ This weakens the principles of social justice and equality.

(iv) Administrative Ethics and Professionalism

Modern public administration is not limited to legal compliance but is based on high ethical standards. Clear rules on conflict of interest strengthen the ethical conduct of officials and employees.¹⁶

Matters to be Included in Nepal's Conflict of Interest Law

In Nepal's public administration system, serious questions have been raised regarding impartiality, transparency, and public accountability due to decision-making processes influenced by private, familial, and professional interests. Although the Constitution of Nepal expresses a commitment to good governance and corruption-free administration, there is a lack of separate and effective legal arrangements to specifically identify, disclose, and manage conflicts of interest. Existing laws are mostly punitive and reactive, and therefore have failed to adequately address preventive governance issues such as conflict of interest.

¹³ Robert Dahl, *On Democracy* (Yale University Press, 1998).

¹⁴ Susan Rose-Ackerman, *Corruption and Government* (Cambridge University Press, 1999).

¹⁵ Hellman, Jones & Kaufmann, "Seize the State, Seize the Day," *World Bank Policy Research* (2000)

¹⁶ OECD, *Public Sector Integrity* (2017).

Against this background, it is already overdue to enact a 'conflict of interest' management law aimed at managing conflicts arising between the private interests of public officials and their public duties at an early stage, thereby making public administration impartial, people-oriented, and accountable. Such a law should promote good governance by ensuring interest disclosure, recusal from decision-making processes, and transparency.

While enacting a 'conflict of interest' management law in Nepal, special attention should be paid to the following matters:

(i) Clear Definitions and Broad Jurisdiction

A separate law can provide clear definitions of actual, potential, and perceived conflicts of interest.¹⁷ Its jurisdiction should be broad, with comprehensive definitions of public office-holders and public institutions, extending to federal, provincial, and local levels.

(ii) Mandatory Disclosure of Interests and Assets

Regular disclosure of assets, business involvement, and family interests of public office-holders should be mandatory. Such a law should prohibit sponsored travel, gifts, awards, honors, honorary titles, free transportation, food and entertainment, and address the revolving door phenomenon.

(iii) Independent Oversight Mechanism

A strong mechanism is required to ensure disclosure of assets, liabilities, and interests of public officials receiving salaries and benefits from the national treasury. An independent body is needed for monitoring and investigation of conflicts of interest, capable of functioning without political or administrative pressure.

(iv) Offences, Effective Penalties, and Remedies

Decisions influenced by conflict of interest should be treated as corruption and brought within the jurisdiction of the Commission for the Investigation of Abuse of Authority, and conflict of interest should be included within the scope of criminal offences. The law should include not only punishment but also remedial measures such as

¹⁷ OECD, *Preventing Policy Capture* (2014).

automatic invalidation of improper decisions and removal from office.¹⁸

(v) Good Governance and Public Trust

The legitimacy of public administration is based on citizens' trust. When public office-holders appear impartial, transparent, and free from self-interest, public trust in government increases. Regulation of conflict of interest promotes good governance by ensuring clean decision-making processes.

(vi) Impartiality of Decision-Making

Public policy and administrative decisions have long-term impacts. When conflicts of interest exist, decisions cannot be impartial or evidence-based. Clear legal arrangements promote a culture of recusal in matters where officials are involved.

(vii) Prohibition and Automatic Nullification in Decision-Making

Provisions prohibiting participation in decision-making when private interest exists, and automatically nullifying contrary decisions, are extremely important from the perspective of administrative law. This gives legal recognition to the rule against bias principle.

(viii) Foundation for Corruption Prevention

Conflict of interest is the gateway to corruption. International experience shows that clear definitions, disclosure, and monitoring systems play a significant role in corruption control.

(ix) Regulation of Contracts and External Activities

There is a pressing need to regulate activities such as entering into interest-driven contracts with one's own institution, engaging in private business or advisory roles, and the revolving door phenomenon.

(x) International Obligations and Practices

The United Nations Convention Against Corruption (UNCAC) calls on member states to develop effective systems for managing conflicts of interest of public officials. As a party to UNCAC, Nepal has an international obligation to enact a separate law on this subject.

¹⁸ *Asian Development Bank, Anticorruption Policy (2015).*

Conclusion

In the context of structural weaknesses in Nepal's public administration, risks of corruption, and declining public trust, a separate and clear law on conflict of interest is indispensable. Such a law will contribute not only to corruption control but also to strengthening the ethics, professionalism, and democratic legitimacy of public administration. In light of international practices and Nepal's constitutional commitment to good governance, regulation of conflict of interest must now be placed as a policy priority.

The need for a conflict of interest management law is not merely a legal reform but also a foundation of democratic good governance. Such a law represents a significant step toward good governance. As demonstrated by the experience of other countries, the effectiveness of the law depends on implementation, institutional independence, and ethical culture. If effectively implemented, it will play a crucial role in restoring transparency, impartiality, and public trust in Nepal's public administration.

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Nation-State in Question

■ Lok Raj Baral

Is the traditional concept of nation-state, especially defined by the Treaty of Westphalia (1848), valid today? Its answer is no as the conventional concepts and practices of nation-states are fast changing. Neither nation nor state is fully manifested in politics. If the nation is more or less related to the emotional and cultural aspects of state, the latter clearly underscores the significance of sovereignty, territory, government and people. Without sovereignty, the very identity of a state is ceased because the essence of state lies in its autonomy and independence of actions performed in the name of state. The erosion of sovereignty is also the loss of independence to which so much blood has been shed as of today. The latest example is Ukraine-Russia war and the Russian encroachment and even invasion of Ukrainian territories. Other examples abound in today's disorderly world politics that has once again reaffirmed the Old Greek Sophist Thrasymachus's dictum 'justice is the interest of the stronger'.

Recent developments witnessed in world politics have given grounds to destructive anarchical trends which only try to undermine the legitimacy of nation states. The blatant interferences in other countries' internal politics along with the threats posed to the nation states have blunted the spirit of panchsheel or five principles of peaceful co-existence. The Russian invasion of Ukraine and the Israeli strategy of thwarting the existence of Palestine state, just to mention a few, indicate how international politics is becoming disorderly. The President of the United States, Donald Trump, seems to dictate terms and conditions that do not

recognise the principles set for conducting the affairs of the state. On the contrary, he imposes conditions and limitations that can hardly be acceptable by any independent country. The unilateral imposition of tariffs on other states, big and small, plus other actions taken in the name of 'Make America Great Again', have created havoc across the world. Moreover, even the United Nations is rendered helpless as the UN decisions or resolutions have been floundered by the countries involved in conflicts. Israel has rejected several resolutions for ceasefire or for the resolution of disputes peacefully. The US withdrawal from different UN agencies and trends of unilateralism instead of multilateralism have made smaller countries insecure. It seems that no external support would come if smaller countries ask for support for their survival.

The conventional definition of sovereignty has undergone change because of the gradual erosion of the elements of state: sovereignty, territory, government and people. The Gen Z uprising in Nepal, for example, almost erased the three elements – sovereignty, government and territory for over 40 hours. There was a total collapse of the state system except the people, who, eventually prevailed to salvage the country from drifting towards destructive anarchism. All governmental organs created for maintaining order collapsed for some time. If similar situations recur in the future, there will be grave threats to the existence of Nepali state itself.

The failure of governments led by self-serving politicians, who lack vision and people-centric policies, has been the primary catalyst for Gen Z movements worldwide. Although disorganised and leaderless, Nepal's movement has at least succeeded in identifying both the underlying

ailments and the necessary treatment for the disease. Unless leaders become sensible to people's minimum expectations and concerns, such trends cannot be wished away. Citizens may return to the streets if conventional politics persists even after the general elections. Since previous elections served merely as avenues for re-electing the same failing elites, the process remains purely ritualistic. Consequently, elections held in the name of democracy result in a mere electocracy rather than a meaningful democracy.

The undermining of popular sovereignty by both elected officials and retrogressive elements, who remain unreconciled to the new republican order, has fuelled an orthodox nihilism that, if left unaddressed, may precipitate a systemic political crisis. The significant erosion of authority in recent years, coupled with public disdain toward elected oligarchs, is likely to complicate matters further. While this is a universal phenomenon, the crisis of survival for both governments and states is becoming increasingly problematic. In addition to domestic vulnerabilities, nation-states are also confronting external pressures that result in surging foreign policy strains.

The rising global trend of elected authoritarianism poses a significant challenge to the survival of nation-states. So-called democratic nations frequently resort to reckless provocations, injecting further uncertainty into an already fractured world order. Despite the emphasis on electoral politics for leadership recruitment, elections are increasingly becoming mere facades for democracy. Consequently, popular sovereignty is being undermined everywhere by a vanishing sense of ideological commitment and the failure of political leaders to remain prudent and efficient.

Moreover, politics has been hijacked by business tycoons, mafias, and the petty bourgeoisie, leaving the entire system stymied. The rise of Trumpism in the United States and its subsequent repercussions have disrupted the global order and the American economy. Trump's capricious international approach is unlikely to succeed, as it triggers negative reverberations and aggressive responses from various directions. Trump's hyper-populism and his pretentious display of global dominance have faced a backlash, as allies and adversaries alike unite to repel new U.S.

economic and diplomatic measures. His attempts to dismantle the established world order, regardless of its flaws, and his stigmatisation of diplomacy represent further steps toward international instability.

Trump not only humiliated President Zelenskyy of Ukraine but also labelled him an aggressor. While Zelenskyy represented a sovereign nation deserving the honour accorded to a head of state, the White House episode proved the opposite. Both Trump and his vice-president berated Zelenskyy, penalising him for being ungrateful for American support.

The US has weakened Ukraine's negotiating position relative to Russia. Trump first blamed Zelenskyy for initiating the conflict and subsequently withdrew American economic and military aid as a punitive measure. Rather than abstaining from United Nations General Assembly voting, President Trump cast US support in favour of Russia, marking a complete reversal of previous policies. Some scholars openly blame Ukraine and Western nations, including the US, for provoking Russia into war. John Mearsheimer, a realist, faults Ukraine and Western powers for failing to preserve Ukrainian territory, suggesting that continuing the war will only lead to further territorial losses. Without the US, Europe appears unable to present a united front. Left in a precarious position, Zelenskyy is likely to become a scapegoat in a deal with Russia. Since Trump has already labelled him a dictator for remaining in office without holding elections, Russia may also demand his exit to ensure future negotiations are favourable to its interests.

Such developments are not unprecedented in politics; many nations have lost their identities through war. During the Second World War, portions of Czechoslovakia were surrendered to Hitler in Munich in 1939. The future course of the Ukraine-Russia settlement remains uncertain. The US, which claims the status of sole superpower, has lost its equilibrium by siding with Russia, leaving its European allies dismayed by the Trump phenomenon despite their continued support for Ukraine.

The Ukrainian case serves as a poignant lesson for nations that become overly dependent on others. Compared to many countries, Ukraine

is endowed with the potential and resources to withstand, to a certain extent, external aggression and pressure. However, smaller and weaker countries face various existential threats to their survival. A much more significant aspect for such vulnerable nations, like Nepal, would be to develop their own survival instincts and capacity by utilising internal resources and enhancing capabilities through improved governmental efficiency. This can only be achieved by liberating themselves from rampant corruption, poor performance, and the inaction of political elites.

Nepal's position is not as dire as dissatisfied citizens often suggest. In any liberal order, vested interest groups attempt to exploit the situation, but the general public expects tangible improvements to demonstrate that not only the system has changed, but their living conditions as well. Some in Nepal, advocating for the end of the republic, seem emboldened by the

government's weaknesses. Is monarchy truly superior to a republic? In my view, a republican democracy is infinitely better than a traditional monarchy. Specifically, what did Gyanendra Shah or his predecessors achieve beyond suppressing the people for their own interests? The Gen Z movement has sought to reform the democratic process while issuing stern warnings to core political leaders whose sole mission is to seize power. It is now up to those leaders to reset their agendas and governance styles to prove that there is no alternative to democracy in Nepal.

Transformative Leadership and Generational Dynamics: Understanding Gen Z Employees



■ Mandip Lamichhane



■ Medin Bahadur Lamichhane

Abstract

The entry of Generation Z in the workforce has intensified debates around the adequacy of existing leadership model in responding to multigenerational working contexts. This conceptual paper theorises transformative leadership as a framework for engaging generational dynamics and examines its relevance in addressing Generation Z's emphasis on inclusion, equity, and social justice. This paper concludes by identifying practical implications for leaders seeking ethical, socially responsive, and adaptive leadership practices.

Key Words: Transformative leadership, Generation Z, Generation Y, Generation X, generation dynamics

Setting the Scene

Young people have increasingly challenged established systems of authority in South Asian countries. The youth-led movement against economic mismanagement in Sri Lanka in 2022 reflects the younger generation's challenge to established traditional authority. Similarly, student-led protests in Bangladesh leading to political change in 2024 highlight the young generation's question to long-standing power structures. Additionally, Nepal's significant anti-corruption Gen Z movement in September, 2025

demonstrates a broader pattern of younger generations challenging established traditional authority. While these movements are rooted in diverse national circumstances, these movements share a common frustration with existing leadership demanding equity, inclusion, social justice, and systemic reform. This paper builds on these insights by shifting the focus from political leadership to workplace contexts.

Introduction

Traditional organisational structures and leadership roles have been significantly affected by the evolving workforce expectations. These changes create volatility, uncertainty, complexity and ambiguity (VUCA) environment which challenges leaders (Rimita, Hoon, & Levasseur, 2020). The existing leadership methods prove inadequate in these circumstances. Thus, the leadership roles in organisations and workplaces have shifted from "managing tasks and maintaining efficiencies" to "providing strategic vision, fostering innovation and creating just and inclusive working culture". One of the most pressing leadership challenges lies in managing a multigenerational workforce with differing values and traits. Leaders failing to embrace employee's voice, psychological safety, and meaningful participation in decision-making fail to lead the organisations. Transformative leadership equips leaders in business organisations in the context of generational diversity.

The contemporary workforce is characterised by the existence of multiple generations (Ara & Sushil, 2024). People who were born after 1965 and before 2010 are in the current workforce.

It comprises of three generations with three distinct characteristics working together. Thus, it is important to understand the generational phenomenon, its chronological differences along with the traits of the members of each generation in any organisation by the leaders to effectively lead the organisations. The generation is defined as a series of birthdays of a group of people (Jopling, 2004). Hung & Gu (2008) further define generation as a group or cohort belonging to the same age group, and experiencing the similar life experiences.

The integration of transformative leadership theory with generational theory help to address challenges arising from workforce diversity. Generational theory offers insights into how shared life experiences shape work-related values, attitudes, and behaviours whereas transformative leadership theory emphasises elements that align closely with the expectations of Generation Z employees. Such integration provides avenue for a more comprehensive understanding of how leadership practices interact with generational characteristics. Consequently, this integration is both theoretically significant and practically necessary.

Despite extensive research on traditional leadership models, there is a significant conceptual gap in integrating transformative leadership theory with generational theory – particularly in understanding how leadership can ethically and inclusively engage Generation Z within multigenerational workplaces. Existing leadership models remain largely managerial, hierarchical, or performance-driven and fail to address Gen Z's demand for purpose, participation, and social justice. This paper argues that transformative leadership offers a theoretically distinct and underexplored framework for addressing generational dynamics in workplaces.

Statement of the Problem

The contemporary workforce in workplaces is undergoing a significant generational transition with strong presence of Gen Z employees. Gen

Z's orientations greatly differ from those of Generation Y and X (Weber, 2024). Leadership models are no longer sufficient for Gen Z, whose values and work orientation differ significantly with Gen X and Gen Y. As a result, workplaces face growing challenges in sustaining employee engagement, commitment, and performance within multigenerational workplaces. Thus, leadership is challenged in the present workplaces.

The global job market is experiencing a profound shift in workforce composition due to the increasing number of Generation Z employees. As the number of new generations increases in the workforce, it brings distinct expectations regarding leadership style, workplace culture, ethical orientation, and the use of technology in the workplace. Generational differences may require an adaptation of leadership styles and strategies (Wolor et al., 2021). Leadership literature has insufficiently addressed the need for adaptive leadership frameworks to address the issue of generational divides despite shifting workplace expectations. Many workplaces continue to face challenges in sustaining employee engagement and retention since traditional leadership frameworks fail to address Gen Z's evolving needs and emphasise hierarchy, uniform management practices, and limited employee voice.

Research Objectives

This study investigates transformative leadership as a conceptual framework for understanding and responding to the generational dynamics associated with Gen Z employees. This study seeks to explore how the core attributes of transformative leadership such as visionary orientation, ethical governance, empowerment, and innovation align with the expectations and work-related preferences of Gen Z. This study tries to conceptually map the alignment between transformative leadership attributes and generational orientations, critically examine the limitations of traditional leadership models in multigenerational working contexts and to

propose a generational responsive leadership framework grounded in transformative leadership principles.

Research Questions

This research examines two central research questions: (RQ1) In what ways do the key characteristics of transformative leadership correspond with the work values and expectations of Generation Z employees? and (RQ2) How can transformative leadership influence organisational effectiveness across a workforce comprising of multiple generational cohorts?

Literature Review

The contemporary workplace is undergoing rapid transformation by technological advancement, shifting employee values, and the growing presence of new youth workforce. Transformative leadership is the key in leading workplaces with new youth workforce since generational workforce dynamics highlights meaningful differences in attitudes, expectations, and work behaviours.

Transformative Leadership

According to Shields (2020), transformative leadership emphasises equity, inclusion, excellence, and social justice in workplaces. Furthermore, this leadership offers comprehensive way for leaders to reflect on how to provide equitable, inclusive, and excellent environment for both clients and employees. It is about pursuing excellence (Emison, 2011) and actively engage in social justice (Archambault & Garon, 2011). Transformative leadership is not limited to a group, a particular workplace and for a certain period. It is “everyone, everywhere, everyday” leadership (Caldwell et al., 2012). It is neither about making big decisions nor about bringing drastic change in workplaces. This leadership proposes that “everyday” activities and small additional incremental actions can be transformative (Jullien 2011). Transformative leadership orients leaders toward emergent

modes of being, relating, knowing, and doing as a leadership framework (Montuori 2010).

Generational Theory and Workforce Dynamics

Employers must identify the characteristics of each generation present in their workplace (Madera et al., 2011). The contemporary workforce consists of Generation X, Y and Z. The members of the gen X, who were born between 1965 and 1979, are the oldest workforce in the job market. The youngest member of this generation is 51 and the oldest member is over 60 years of age. According to Reeves and Oh (2008), this generation is the first generation to be able to think globally since many global events occurred during this period (Berkup, 2014). This generation changed the motto of “live to work” to “work to live”. This generation disliked a boring and stressful workplace (Miller & Washington, 2011). The best motivational tool for this generation is “clear expectation and carrying the job alone”. Gen X values family first and balances family, life, and work (Williams et al., 2010) and are free agents and not team players (Thaarig, 2023). According to Williams et al. (2010), this generation displays a strong sense of independence, relying on themselves and prioritising personal autonomy. Gen X tends to be reluctant to network and more interested in advertising and recommitment. This generation is likely to find a way to get things done smartly, quickly, and best even if it means breaking the rules (Acar, 2014).

The members of Generation Y were born between 1981 and 1994. The youngest member of this generation in the workforce is 32 and the oldest member is 46 years of age. This generation lived with technology unlike past generations thus prefer to use technology to perform their jobs (Berkup, 2014). This generation’s adaptation capacity is higher and is raised with the mindset “run towards home when things get worse” (Fleschner, 2007). Gen Y is described as individualist, educated, technologically literate, sophisticated, mature, and structured individuals (Valentine & Powers,

2013). They consider the workplace as an opportunity to learn since they believe in the importance of the lifelong learning. They prefer mentors in their workplace and seek feedback from the seniors (Adigüzel & Batur & Ekşili, 2014). They expect quick promotions in the job and changing jobs is a normal thing to them. Gen Y prefers to collaborate, connect, co-create, and control mostly with their peers. Social networking is a key distinction for this generation (Dickey & Sullivan, 2007) and want a work-life blend (Koco, 2006).

The Generation Z popularly known as Gen Z comprises of people born between 1995 and 2010 (Levickaite, 2010; Bencsik et al., 2016; Wiloyo et al., 2020), but some definitions extend this range to 2012 (BPS, 2020). Half of this generation's members are already in the workforce. Gen Z is the youngest workforce in workplaces. This is a complete technology generation. Social media is a part of their lives. This generation wants anything to happen quickly and instantly. Their attention span is short and prefer to interact through social media and quickly share information with others (Dolot, 2018). They are not afraid to question established norms (Wasiluk, 2024). This generation is thought to have the highest motor skill synchronisation for hand, eye and ear in the history of humanity. Gen Z exhibits lower tolerance for rigid hierarchies and disengaging work environments unlike Gen Y and Gen X. They are familiar with advanced technology and regularly use multiple sources of information (Williams et al., 2010) and build online communities (Labi, 2008). The consequence of this state of affairs is that Gen Z can easily search and check the information they need.

Bencsik and Machova (2016) examine differences in workplace orientations among multiple generations. Gen X focuses on building a stable and secure career and value both personal and online relationships. They aim for steady growth and promotion in workplaces. They strongly value hard work, fairness, practical approaches, following rules, and embracing diversity. Correspondingly, Gen Y prioritises flexibility, independence, and creativity, and wants quick results, seeks immediate outcomes, and frequently challenges established norms.

This generation cares about short-term goals and personal success, using digital tools and online networks every day. They also prefer new ways of learning and working, including flexible work schedules. Similarly, Gen Z relies heavily on virtual interactions, uses technology intuitively, and reacts quickly to information and change. They prefer happiness and personal satisfaction over long-term commitment.

Methodology

This study integrates insights from leadership and generational theories to develop a coherent conceptual understanding of leadership effectiveness in multigenerational organisational contexts through thematic synthesis.

Transformative leadership was selected as the focal leadership framework due to its strong emphasis on ethical governance, inclusion, empowerment, shared decision making and social justice since these traits closely align with the values, expectations, and work orientations commonly attributed to Generation Z. This study adopts a conceptual literature review to examine the alignment between transformative leadership and generational dynamics, with focus on Gen Z employees. Peer-reviewed journals, and scholarly books published between 2005 and 2024 were identified through systematic searches of Google Scholar. The following key words were used to identify relevant literature: transformative leadership, generational dynamics, multigeneration workforce, Generation Z, and leadership effectiveness.

Discussions and Critique

Distinctive traits of generational dynamics have direct association with leadership competencies. The leadership competency that works with Gen X does not work with Gen Y in the workforce since they were born in different times of history and each cohort is unique. The leadership competency that works with Gen Y, does not work with the Gen Z workforce. The transformative leadership competencies respond well to the distinctive traits of Gen Z while remaining effective within complex multigenerational contexts. By comparing

leadership practices that resonate with Gen Z to those traditionally effective for Gen X and Y, the discussion highlights both continuity and change in leadership expectations.

Hierarchical and traditional model of leadership does not work with different generations since each generation carries different traits. Dieguez et al. (2024) emphasises the need for organisations to adapt to better accommodate Gen Z's expectations, creating an environment that fosters innovation and productivity. Organisations need to shift “doing to being” and from “managing to understanding” to address the needs of the new generational workforce since they embrace the value of team spirit, working environment, and work life balance with job security, and flexibility (Zehetner et al., 2020). Generational categorisations provide useful information; scholars caution against deterministic interpretations. This study adopts a critical generational lens, treating generational traits as tendencies shaped by socio-historical contexts rather than fixed identities.

Gen X emphasises status and materialism in terms of motivation. Motivation comes from external rewards such as position, recognition, and tangible success indicators. Gen Y centres on self-realisation and autonomy. Individuals value freedom of movement, decision-making power, competition, and personal growth. Gen Z focuses on immediacy and flexibility. Motivation is driven by instant rewards, freedom without long-term commitment, and short-term benefit. There is a clear shift from external, long-term rewards to intrinsic motivation to short-term, immediate gratification. Similarly, Gen X emphasises planning, goal setting, career paths, and active participation in evaluations. Gen Y prefers future-oriented, but more interactive and feedback-driven evaluation systems. Many Gen Z employees appear to place greater emphasis on value congruence and personal meaning in performance feedback, which may sometimes challenge traditional objective evaluation frameworks. This shows evaluation moving from dialogue to subjective and self-referential based on generations. Learning is planned for Gen X, individualised and technology-based for Gen Y and interest-driven and self-selected for Gen Z. Likewise,

Gen X is willing to compromise; Gen Y is willing to confront directly whereas Gen Z may provoke conflicts. Conflict behaviour shifts from cooperative to assertive to volatile. This has important implications for leadership. Top-down approaches of leadership fail in this context. Motivation, feedback, training, and conflict resolution must be tailored to the dominant profile.

Transformative leadership in workplaces emphasises a clear sense of purpose and vision. Gen Z employees are highly motivated by such a leadership's emphasis since it allows Gen Z employees connect their individual roles with organisation's broader objectives. Gen Z shows great sensitivity to transparency, fairness, and ethical conduct that aligns closely with transformative leadership's focus on integrity, social justice, and equity. Moreover, transformative leadership encourage participatory, open, and inclusive leadership practices. Gen Z employees' strong preference for collaboration and dialogue resonates with such practices. Furthermore, Gen Z employees' desire for autonomy and flexibility aligns with transformative leadership elements such as shared decision-making and empowerment of employees. Likewise, the technological proficiency of Gen Z and their comfort with constant change align well with transformational leadership's commitment to innovation, adaptability, and lifelong learning.

While Bencsik and Machova's (2016) framework offers a useful heuristic, it risks oversimplifying generational behaviour by treating cohorts as homogeneous groups. Moreover, the framework predates significant shifts such as remote work, digital acceleration, and post-pandemic value reorientation, which may further shape Gen Z's workplace expectation. A multigenerational workforce is an opportunity to lead differently. Transformative leadership enables organisations to move beyond generational stereotypes by centering inclusion, adapting systems to individual needs, encouraging shared learning and dialogue and aligning diverse journeys around a common purpose. Organisations that embrace this leadership model are better positioned to reduce conflict, retain talent, and remain resilient in an evolving world of work.

This study shows a strong alignment between transformative leadership competencies and the traits of Generation Z. Transformative leadership emphasises purpose and vision that makes employees connect their roles with broader organisational objectives. Likewise, Gen Z exhibits heightened sensitivity to transparency, fairness, and social responsibility which aligns with transformative leadership's focus on social justice, inclusion and integrity. Moreover, Gen Z seeks autonomy, collaboration and shared decision making which are integral components of transformative leadership. Implementation of transformative leadership practices makes Gen Z employees feel valued and respected in the workplace. Finally, transformative leadership's orientation toward innovation, adaptability and open communication resonates strongly with Gen Z's digital fluency and comfort with change. Despite its alignment with Gen Z values, transformative leadership is not without challenges. It requires high emotional intelligence, time-intensive relational work, and organisational cultures that tolerate shared power – conditions that may not exist in all institutions

While Bencsik and Machova's (2016) provide a helpful framework for comparing generational traits, it is important to approach it with critical lens. The study is based primarily on western contexts. It may limit its applicability to other cultural or organisational settings. Furthermore, this research highlights significant shifts in the working environment after the pandemic. It should be taken as a guiding framework rather than universal truths. Discussing generational traits provides useful insights for leadership practices. It is important to acknowledge that such characterisations risk overgeneralisation. Employee's response to feedback does not fully rely on generational traits. It is based on individual differences, cultural contexts, life stage and organisational norms. Likewise, conflict behaviours are influenced not by only one factor, but by multi-factors such as generational tendencies, leadership styles, and situational pressures.

Implementation of transformative leadership is equally challenging though this leadership aligns

well with the values and expectations of Gen Z. Its effective implementation requires significant time investment and leadership capacity. Structural factors such as rigid hierarchies and inflexible policies play a vital role in enhancing leaders' ability to foster autonomy, shared decision-making, and innovation. Moreover, the continuous demands of sustaining high engagement increases the risk of burn out circumstances in workplaces. Though it offers potential benefits, it must be adapted thoughtfully to organisational capacities and contextual realities.

The discussion of generational dynamics provides valuable insights. It presents findings as globally applicable. Generational behaviour is not uniform globally. It is heavily influenced by an individual's cultural, social, economic contexts and their backgrounds. This side of the generational theory is overlooked by the researchers. Moreover, leadership expectations also differ across different sectors.

Conclusion

Multigenerational employees are working in workplaces and the number of Gen Z employees is growing significantly. Such generational diversity in workplaces has demanded the need for leadership models capable of responding to varied expectations, values and work orientations of different generations. Traditional model of leadership does not function in the organisations of AI era. Leadership model should align with the generational needs since it plays a significant role in shaping the success and effectiveness of the organisations. Among other leadership models, transformative leadership is a relevant and effective leadership framework for leading multigenerational workforce in the context of the growing presence of Gen Z employees. Transformative leadership framework offers an alternative to traditional, hierarchical framework since it embraces the values to navigate complex and rapidly changing environment of organisations effectively.

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Natural Resource Management as National Wealth: A Strategic Imperative for Nepal

■ Prachanda Pradhan

Abstract

Nepal urgently needs to shift its development strategy toward proper natural resources management (NRM). The country possesses abundant natural resources – water, forests, biodiversity, land, and minerals – that hold immense potential for long-term national prosperity. Yet, development planning continues to emphasise financial and industrial management over the stewardship of natural capital. Scholars and institutions such as the World Bank (2021), UNEP (2018), and national researchers (Shrestha, 2025; Bhatta, 2011) argue that natural capital forms the foundation for sustainable development, but it remains undervalued in national accounting. This article argues that natural resource utilisation and management must be treated as national wealth – equally important as financial and industrial capital – in Nepal’s development policy. It highlights the economic, social, and ecological advantages of elevating natural capital as strategic national wealth and proposes a framework for placing NRM at the centre of Nepal’s growth

model.

1. Introduction

Nepal’s economic and institutional development efforts have historically prioritised fiscal management, banking reform, and industrial growth. However, the country’s greatest comparative advantage lies not in manufactured goods or financial markets but in its natural endowments (NPC, 2020). As Dahal (2014) notes, Nepal’s economy is fundamentally ‘resource-based’, with hydropower, forests, agriculture, and biodiversity serving as its most productive assets.

Despite this, natural resources have been undervalued in governance and policy. Traditional macroeconomic indicators – GDP, revenue, and capital formation – do not adequately capture the ecological and long-term wealth benefits provided by natural resources (World Bank, 2021). This omission has contributed to mismanagement, underinvestment, and environmental degradation. Recognising natural resource management as national wealth is therefore essential for Nepal’s sustained and inclusive development.

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2. Understanding National Wealth: Beyond Financial Indicators

Global economic frameworks increasingly define national wealth to include natural capital as a core component of economic prosperity (UNEP, 2018). The World Bank's *Changing Wealth of Nations* report emphasises that natural capital is often the largest share of total wealth in lower-income countries (World Bank, 2021) – a category Nepal belongs to.

National wealth is commonly categorised into three components:

1. **Produced Capital** – infrastructure, machinery, and manufactured assets
2. **Human Capital** – education, skills, and health
3. **Natural Capital** – water, forests, minerals, land, and biodiversity

In Nepal, the contribution of natural capital surpasses that of the industrial sector (Sharma & Shrestha, 2016). Yet, due to limited natural capital accounting, these contributions remain largely invisible in national planning. A comprehensive approach to natural resource planning and management is therefore required.

3. Nepal's Natural Resource Base as National Wealth

3.1 Water Resources

Nepal is endowed with more than 6,000 rivers and immense hydrological potential. It has a theoretical hydropower potential of approximately 83,000 MW, of which 43,000 MW is considered technically and economically feasible. Despite this, only a small fraction has been utilised. Historically, water has supported irrigation, food processing, and small-scale energy production, beginning with Nepal's first hydropower plant in 1911. Rivers also support irrigation, drinking water, fisheries, and tourism, yet achievements in these sectors remain modest (Shrestha, 2025).

3.2 Forests and Biodiversity

The promotion of appropriate conservation and utilisation practices is essential for forest management. The Forest Nationalisation Act of

1957, intended to conserve forests, unintentionally accelerated forest depletion due to overly centralised control. The subsequent shift to community forestry, social forestry, and the declaration of National Protected Forest areas has helped restore forest cover. Approximately 45% of Nepal's land is now under forest cover (DFRS, 2015). Nepal's community forestry programme is internationally recognised for its success in ecological restoration and participatory governance (Gautam et al., 2004).

3.3 Land and Agriculture

Nepal's diverse climate, topography, and elevations offer significant potential for diversified agricultural practices. Agriculture employs more than 60% of the population (MOALD, 2022). Challenges remain due to soil degradation, erratic rainfall, and limited irrigation, but sustainable land management practices have demonstrated strong potential to improve productivity (Paudel et al., 2013). Achieving national food security should remain a priority.

3.4 Minerals

Nepal possesses valuable mineral resources such as limestone, magnesite, iron ore, and prospects for natural gas and petroleum. However, extraction remains small-scale and poorly regulated (DMG, 2014). Neither the public sector nor private sector has demonstrated adequate initiative in developing Nepal's mining industry.

3.5 Tourism and Landscapes

Nepal's natural beauty and Himalayan landscapes create substantial opportunities for diverse forms of tourism. Nature-based tourism contributes significantly to GDP and foreign exchange (NTB, 2022). Biodiversity, mountains, rivers, and landscapes form the foundation of Nepal's global tourism brand. However, inadequate infrastructure – particularly air connectivity and road networks – limits the sector's potential.

Water resources, forests and biodiversity, agriculture, minerals, and tourism form the backbone of Nepal's natural economic base. Each sector's full development depends on effective management. Rather than a 'silo approach', Nepal requires interdisciplinary and intersectoral coordination. Hydropower development, for

example, must be aligned with irrigation needs. Likewise, agro-tourism and eco-tourism should be integrated to maximise economic benefits.

4. Overemphasis on Financial and Industrial Management and Their Limitations

4.1 Focus of Financial Management

Nepal's financial system emphasises:

- Revenue generation
- Monetary stability
- Loan and credit distribution
- Remittance management (Sharma, 2017)

While financial development is important, it does not generate wealth without strong productive sectors. Nepal has become heavily dependent on imports and is vulnerable to external shocks. Its remittance- and tourism-based economy is highly sensitive to global political and economic conditions. Economic restructuring and priority shifts are therefore urgently required.

4.2 Industrial Management

Nepal's industrial sector faces constraints related to import dependence, energy shortages, and limited technological capacity. It contributes less than 15% to GDP (CBS, 2021) and cannot meet the nation's growing employment needs.

4.3 Limitations

Overemphasis on finance and industry leads to:

- Urban-centric job concentration
- Low domestic production
- Growing trade deficits
- Vulnerability to global shocks (Khanal, 2018)

In contrast, natural resources offer more resilient and widespread economic benefits.

5. Why Natural Resource Management is National Wealth

5.1 Renewable, Regenerative Economic Value

Natural resources regenerate and increase in value if managed sustainably, unlike industrial assets that depreciate over time (UNEP, 2018).

5.2 Supports Rural Livelihoods

More than 70% of Nepali people directly depend on natural resources (NPC, 2020). Community forestry alone has helped thousands of households rise out of poverty (Gautam et al., 2004).

5.3 Provides Critical Ecosystem Services

Forests, rivers, and wetlands support:

- Hydropower
- Drinking water
- Climate regulation
- Agriculture (Costanza et al., 2014)

5.4 Long-Term Economic Returns

Hydropower exports could generate billions in revenue. In addition to exports, domestic value-added activities must be expanded. Nature-based tourism and forest-based enterprises also hold high market potential.

5.5 Enhances National Sovereignty

Utilising domestic water and energy resources reduces dependence on imports, fossil fuels, and foreign aid (Karki, 2013).

5.6 Community Integration

NRM in Nepal is deeply embedded in community participation, fostering local ownership and social stability (Ojha et al., 2016 Pradhan, et.al.2022).

6. Comparative Analysis

Criteria	Natural Resources	Financial/ Industrial Assets
Nature of Wealth	Renewable	Depreciating
Impact Radius	Rural + national	Urban-focused

Criteria	Natural Resources	Financial/ Industrial Assets
Economic Return	Long-term, stable	Volatile
Governance Needs	Participatory	Regulatory
Sovereignty Impact	High	Medium
Climate Resilience	Strong	Weak

(NPC, 2020; Costanza et al., 2014; WECS, 2019)

7. Challenges in Recognising NRM as National Wealth

7.1 Fragmented Institutions

Multiple ministries have overlapping mandates; in the water sector alone, eight ministries are involved (Dhunge, 2002).

7.2 Short-Term Political Cycles

Decision-making often reflects political interests rather than national or ecological priorities.

7.3 Weak Policy Implementation

Despite robust legislation, enforcement remains inconsistent (Bhatta, 2011).

7.4 Limited Natural Capital Accounting

Nepal lacks standardised systems for ecological valuation (UNEP, 2018).

7.5 Environmental Degradation

Soil erosion, deforestation, and river pollution diminish long-term wealth (MOFE, 2020).

8. Strategic Importance of NRM for Nepal's Development

8.1 Energy Independence and Hydropower Diplomacy

Hydropower development can reduce trade deficits and strengthen regional energy

cooperation with India and China.

8.2 Climate and Disaster Resilience

Forests and watersheds help reduce landslide and flood risks (MOFE, 2020).

8.3 Sustainable Tourism

Nature-based tourism offers high economic multipliers with minimal ecological footprint (NTB, 2022).

8.4 Agricultural Modernisation

Sustainable soil and water management enhances food security (Paudel et al., 2013).

8.5 Green Industrialisation

Hydropower-enabled industries and forest-based value chains present new opportunities for green growth (Khanal, 2018).

9. Policy Recommendations

1. Adopt Natural Capital Accounting (UN SEEA framework)¹.
2. Strengthen community-based governance (Ojha et al., 2016; Pradhan et al., 2022).
3. Implement Integrated Water Resources Management for hydropower-irrigation synergy (WECS, 2019).
4. Increase investment in research and technology for water, forestry, and climate sectors.
5. Promote green infrastructure and nature-based solutions.
6. Enforce environmental regulations using digital monitoring systems.
7. Ensure fair benefit-sharing mechanisms for local communities.
8. Link natural resources with industrial policy, focusing on agro-forestry, renewable energy, and minerals.

10. Conclusion

Natural resource management must be elevated as a central pillar of Nepal's national development

1. UN SEEA, or the System of Environmental-Economic Accounting, is an international statistical framework used to measure the relationship between the economy and the environment. It provides a standard way to organize data on environmental assets, flows, and the impact of economic activity on the environment, allowing for a more comprehensive view of natural capital and its contribution to human well-being.

strategy. As numerous studies indicate (World Bank, 2021; NPC, 2020; Shrestha, 2025), Nepal's natural capital provides a more inclusive, resilient, and sovereign path to prosperity compared to narrow reliance on financial and industrial sectors. Sustainable stewardship of hydropower, forests, agriculture, biodiversity, and minerals can redefine Nepal's development trajectory. Treating natural resources as national wealth is not merely an environmental concern – it is a national development imperative.

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rejected several resolutions for ceasefire or for the resolution of disputes peacefully. The US withdrawal from different UN agencies and trends of unilateralism instead of multilateralism have made smaller countries insecure. It seems that no external support would come if smaller countries ask for support for their survival.

The conventional definition of sovereignty has undergone change because of the gradual erosion of the elements of state: sovereignty, territory, government and people. The Gen Z uprising in Nepal, for example, almost erased the three elements – sovereignty, government and territory for over 40 hours. There was a total collapse of the state system except the people, who, eventually prevailed to salvage the country from drifting towards destructive anarchism. All governmental organs created for maintaining order collapsed for some time. If similar situations recur in the future, there will be grave threats to the existence of Nepali state itself.

The failure of governments led by self-serving politicians, who lack vision and people-centric policies, has been the primary catalyst for Gen Z movements worldwide. Although disorganised and leaderless, Nepal's movement has at least succeeded in identifying both the underlying



Managing the Emerging Issues in the Banking Sector

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Abstract

The banking sector has experienced a tumultuous period in recent years, facing the impact of the Covid-19 pandemic and subsequent external sector pressures. Consequently, the banking industry landscape has shifted significantly, giving rise to new risks and challenges. Recent trends indicate a downturn in credit recovery, leading to a rise in non-performing loans (NPLs) and an accumulation of non-banking assets. Furthermore, the sector is struggling with low profitability and sluggish credit growth, leaving institutions with excess liquidity. This paper explores the current state of the banking sector using secondary data published by Nepal Rastra Bank (NRB). It then proposes potential solutions to address these emerging challenges, providing a framework for both regulators and banking institutions to maintain the banking sector stability – a cornerstone of overall financial stability.

Key Words: Banking Sector, Emerging Issues, Banking and Regulatory Reforms

1. Introduction

The banking sector plays a vital role in the economy by performing financial intermediary functions and operating the payment system, thereby facilitating economic transactions. It is instrumental in capital formation, which in turn drives economic growth. For this growth to be sustained, the banking sector itself must remain stable. As the health of the real sector is ultimately reflected in the banking sector's condition, it is essential to conduct regular assessments to identify emerging issues and

challenges. Proactive management of these issues is critical to maintaining stability within the sector. The economic environment is in a constant state of flux, presenting both challenges and opportunities. Recently, the Nepali banking sector weathered the severe impact of the Covid-19 pandemic, which erupted in December 2019 in Wuhan, China, and rapidly spread globally, affecting Nepal for over two years. Immediately following the pandemic, Nepal faced significant external sector pressure due to rapidly declining foreign currency reserves, driven by a sharp increase in the current account and balance of payments deficits. In response, several restrictive policies were implemented, including hikes in policy rates, increased cash margin requirements for imports, and even temporary import restrictions on certain goods. All these measures have profoundly impacted the banking sector. In this context, this paper aims to explore the evolving situation within the banking sector to identify emerging challenges and propose strategic ways forward to address them. The ultimate goal is to maintain stability in the banking sector, which is a prerequisite for overall financial stability. This assessment is based on secondary data published by Nepal Rastra Bank (NRB), comparing the situation as of the first quarter of the current fiscal year 2025/26 (NRB, 2025; NRB 2023; NRB 2020) with the period immediately preceding the Covid-19 outbreak. Such a situational analysis is crucial for building a more resilient banking sector in a timely manner and for safeguarding financial stability. It helps identify solutions to issues and risks arising from recent sequential shocks. The recent Gen Z movement has not only led to a change in government but has also dealt a severe blow to the private sector through physical damage to

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property and business disruption. This movement must be considered another significant shock to the economy.

2. Changing State of the Banking Sector

The Nepali banking sector has undergone significant transformation due to the sequential shocks of the Covid-19 pandemic and subsequent external sector pressures. Key trends include:

Extreme Interest Rate Volatility: Policy responses to the pandemic initially drove rates to historic lows, followed by a sharp hike in 2021-22 to counter external pressure, and a subsequent rapid decline to current levels below those seen during Covid-19.

Persistent Low Credit Growth: Despite ample liquidity and low interest rates, private sector credit growth has stagnated in the single digits for three consecutive years, reflecting economic slack and weak demand.

Deteriorating Asset Quality: Non-Performing Loans (NPLs) and Non-Banking Assets (NBA) have risen sharply since 2022, reversing earlier improvements, due to economic stress and tighter monetary policy.

Declining Profitability: Bank profitability has fallen significantly, pressured by rising NPLs, low credit growth, and increasing operational expenses, despite recent stabilisation in net interest income.

Structural Shifts: Credit allocation is moving away from sectors like construction and towards consumption and hydropower, while deposit composition fluctuates with interest rate changes.

3. Emerging Issues for the Banking Sector

There are several emerging issues in the banking sector. These include weak loan recovery, rising non-performing loans (NPLs) and non-banking assets (NBAs), and sluggish credit uptake. Consequently, banking sector profitability has declined in recent years, posing a serious threat to overall financial stability, which is essential for the smooth functioning of the financial system, broader economic activity, and effective monetary policy transmission. These challenges require careful and strategic management.

These issues stem primarily from a weak economic recovery, driven by subdued aggregate demand in the aftermath of external sector pressures that compelled interest rate hikes. Furthermore, with the global economy reopening and the impact

of Covid-19 waning, the outflow for foreign employment has surged. This includes outflows of students and individuals on visitor visas who ultimately seek work abroad without formal registration with the Government of Nepal. Over the last three fiscal years (2022/23–2024/25), approximately 500,000 youths annually departed for foreign employment as new workers, with an additional 300,000 re-entering annually. Moreover, over 100,000 students have gone abroad for education each year. This high level of exodus amid very low population growth has significantly reduced aggregate domestic demand. Additionally, a series of sequential shocks has dampened investment demand. Both government capital expenditure and private sector investment have slowed. From the onset of Covid-19 through FY 2024/25, government capital expenditure has been stagnant, averaging zero growth. During this period, real private investment declined by 4.3%, while nominal private investment also remained flat. External demand, as reflected in the trade balance, has also remained consistently negative for Nepal.

Excessive credit flows immediately after Covid-19, which were diverted into real estate and the stock market, fuelled an asset price boom. The subsequent burst of this bubble, triggered by external sector pressures, left many borrowers exposed to these markets unable to service their loans, leading to rising NPLs in the banking sector. Furthermore, the combination of excessively high real estate prices and the substantial outflow of people has drastically lowered demand in the property market, which remains in a prolonged slump

4. Resolving the Issues

To ensure the stability of the banking sector and the overall financial system, the sector's current issues must be resolved through effective strategies. Potential way forwards are as follows:

A. Effective Liquidity Management via an Interest Rate Corridor

With the implementation of a standing deposit facility, NRB has been actively mopping up excess liquidity. This has prevented deposit rates, particularly for savings accounts, from falling to near-zero levels. However, the weighted average deposit rate has now declined below that seen during the Covid-19 period. Furthermore, the interbank rate has settled at the floor of the corridor rather than aligning with the policy rate.

This indicates that the NRB's liquidity absorption has been insufficient to steer the interbank rate closer to the policy rate. Therefore, the NRB must adopt a more proactive and strategic approach to liquidity management to safeguard financial stability.

B. Revitalising Credit Uptake

Improving credit demand requires fostering entrepreneurship to create new borrowers. New growth areas, such as Information Technology (IT) and herbal processing, should be developed by creating a congenial investment climate. Traditional sectors like hydropower and tourism also retain significant potential for expansion. Strategically, Nepal must explore the vast markets of its neighbouring countries through economic diplomacy and by promoting joint ventures. Additionally, fostering a culture of consuming domestic products and strategically lowering production costs to enhance their competitiveness is essential. This can help reduce imports and improve the trade deficit.

C. Enhancing Credit Access through Credit Scoring Systems

Introducing a comprehensive credit scoring system can enhance access to credit for startups and new borrowers who lack collateral. Integrating credit information across all types of banks and financial institutions (BFIs), including microfinance institutions and cooperatives, will provide lenders with better borrower data, enabling more rational and secure credit decisions.

D. Strategic Management of NPLs and NBAs

The banking sector, in close collaboration with borrowers and regulators, must develop novel strategies to manage the growing volume of Non-Performing Loans and Non-Banking Assets. International best practices can serve as a guide (Alvarez & Marsal, 2016). Handling these issues effectively may require targeted regulatory adjustments. Banks should establish dedicated desks to manage NPLs and NBAs strategically (Donnery, 2017). Furthermore, establishing an Asset Management Company (AMC or 'bad bank') or developing a secondary market for NPLs could provide systemic solutions.

E. Undertaking Necessary Regulatory Reforms

The current changing scenario calls for regulatory reform. Generalised regulations may not suffice amid evolving stresses with times. Key regulations – including those for loan classification,

loan loss provisioning, blacklisting, interest rates, and branch management – should be comprehensively reviewed and revised. A recent step in this direction is the NRB's directive for BFIs to consolidate branches in metropolitan areas.

F. Stimulating Public Investment and Improving the Business Climate

The government must accelerate capital expenditure and improve the overall investment environment. A strategic approach to engaging with neighbouring economies is crucial. This involves promoting joint ventures to tap into their markets and integrating into the evolving regional production and value chains.

5. Conclusion

The Nepali banking sector has undergone significant changes due to the sequential shocks of the Covid-19 pandemic and external sector pressures. These include a rise in Non-Performing Loans and Non-Banking Assets, slowing credit flows and recovery, and declining profitability, all of which pose challenges to maintaining financial stability. A number of timely measures must be adopted to resolve these issues, including effective liquidity management and enhancing credit uptake by improving the investment climate and stimulating aggregate demand in the economy. The government should prioritise improving the investment environment and accelerating capital expenditure. Concurrently, the rising volume of NPLs and NBAs must be controlled and managed through strategic interventions. Regulatory reforms are also essential to facilitate sector-specific credit requirements, enable effective management of distressed assets, and ensure the smooth flow of credit to the real economy.

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Human Resource Management in Public Sector in Nepal

■ Pushpa Raj Acharya

Abstract

Human Resource Management (HRM) within Nepal's public institutions must be streamlined to enhance service delivery efficiency and effectiveness by motivating personnel, utilising core competencies, and fostering a conducive organisational environment. Globally, HRM practices in the public and private sectors have experienced convergence and crossvergence, particularly following the introduction of New Public Management (NPM), a pivotal milestone in governance reform. This article explores how Nepal can improve its public service performance by infusing private-sector management practices into the public sector.

Keywords: Human Resource Management, Public Sector, HR Strategy, HR functions, New Public Management

Introduction

Human Resource Management (HRM) is critical for any institution to achieve its desired results. Public institutions in Nepal must adopt modern HRM practices to enhance performance in alignment with their objective of efficient and effective service delivery, which helps minimise mass despair within the Nepali society.

Governance reform has become a buzzword following the GenZ uprising against corruption and malgovernance. Governance reform is the sum of transparency, accountability, efficiency, and public participation. An improved working environment and modern HR management are crucial not only

for efficiency but to drive these reform elements forward.

Literature illustrates how governance reforms over time based on public aspirations. However, Nepal lost the momentum of the 1990s due to prolonged insurgency, political instability, conflict, and a lack of will among political and bureaucratic leaders.

Initially, under authoritarian rule, bureaucrats were appointed directly by the ruler, owing loyalty to that leader and serving to achieve objectives set by their command. Subsequent upheavals in the bureaucracy, often accompanying leadership changes, resulted in a lack of institutional memory and accountability. The progressive democratisation of thought processes over the years eventually sparked a critical debate regarding the stability of the bureaucracy.

The modern form of bureaucracy, defined by hierarchical authority, rule-based management, division of labour by expertise, and qualification-based employment, was first introduced after the 1920s. Subsequently, the emergence of New Public Administration in the late 1960s shifted the administrative focus toward social equity and responsiveness to public needs. The most prevalent contemporary trend, New Public Management (NPM), surfaced after the 1980s, injecting private-sector management practices into the public sphere.

The concept of New Public Management fundamentally steers the government toward providing strategic guidance, establishing rules of the game, and regulating, while opening the delivery of public goods and services to the private and non-governmental sectors while safeguarding consumer interests. This represents a major

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departure from the traditional notion that the government should manage everything, from the supply of goods to infrastructure development.

Concurrent with the political shifts of 1990, Nepal enacted significant legal, administrative, and procedural reforms. These changes invited private-sector investment into public services and strengthened regulatory systems to ensure a level playing field and robust consumer protection. Consequently, the former concept of a rowing government, characterised by pervasive state intervention, was altered.

While this landmark reform initially fostered professionalism within the civil service, progress was later undermined by the over-politicisation of the bureaucracy, which ultimately stifled the spirit of the reform. This article illustrates both the strategic and functional aspects of HRM in Nepal's public sector.

I) HRM in Public Sector at strategic level

At the strategic level, HR is integrated as a strategic partner, occupying a meaningful seat at the planning and strategic discussion table. HR professionals share equal responsibility for contributing to long-term organisational priorities and achieving desired goals. This involves rigorous workforce planning, job analysis, job evaluation, succession planning, HR auditing, and HR optimisation. Furthermore, roles are aligned with Key Result Areas (KRAs). Most importantly, these organisations demonstrate greater flexibility in adopting HR policies, systems, and tools to optimise human capital, contrasting with the resistance often witnessed in the public sector.

Lack of proper job evaluation

New Public Management (NPM) has introduced private sector management functions into the public sector, yet questions regarding their effectiveness persist. While the private sector has already recognised Human Resources (HR) as a strategic partner, this concept remains a fundamental gap within the public sector. In private enterprises, HR's acceptance as a strategic partner ensures their involvement in key decision-making starts as early as workforce planning.

In the government, the Ministry of Federal Affairs and General Administration (MoFAGA) is officially tasked with strategic HR planning for the civil service, supported by administration divisions in

each ministry and public institution. Nevertheless, public sector HRM must be better streamlined with Key Result Areas (KRAs). Currently, Organisation and Management (O&M) surveys lack scientific rigour, and authorities are frequently flagged for distortions within O&M reports. Since these reports require Cabinet approval, the process often hinges on influence and power rather than data.

Without such detailed analysis, the challenge of overstaffing in some organisations persists while others remain understaffed. Furthermore, employee performance is not aligned with KRAs, causing public sector HRM to operate in silos. An analysis of public sector HRM through key functions reveals a clear need to streamline these processes to ensure effective service delivery and citizen satisfaction.

II) HRM in Public Sector at functional level

Recruitment and selection

Recruitment and selection constitute a core function of Human Resource Management (HRM). There has been significant reform in the selection process. Not only for the civil service but also for permanent employees of state-owned enterprises (SoEs), selection is conducted via competitive examinations administered by the Public Service Commission (PSC). This process is transparent and merit-based. As a constitutional body, the PSC has established high credibility by ensuring fairness in both written and interview-based assessments to facilitate recruitment and promotions. However, some contract-based appointments in SoEs are still influenced by political connections, which undermines service delivery efficiency.

Due to their credibility and job security, public offices naturally attract aspiring job seekers. Consequently, these offices require little effort to draw applicants. The number of competitors often vastly exceeds actual vacancies. While recruitment and selection are often treated as synonymous, there is a clear distinction. Recruitment concerns the organisation's reputation and its ability to attract applicants. In selection interviews, interviewers often invite candidates to ask questions. In response, they frequently highlight their organisational reputation, a practice rooted in recruitment policy and most commonly seen in the private sector.

Employee selection in the public sector is merit-based. Conversely, recruitment in the private

sector is competence-based and incorporates behavioural assessments. Unlike the private sector, the public sector maintains provisions for inclusion and quotas to recruit individuals from disadvantaged and marginalised communities, reflecting equitable rights as promised by the constitution. Most importantly, the recruitment and selection process has been decentralized. It is primarily an external function, as the PSC is tasked with selection, leaving the hiring agency with minimal involvement.

In contrast, the private sector treats this largely as an internal process. With the rise of independent HR consulting firms, regulated industries like banking and insurance have begun outsourcing initial selection. Nevertheless, the hiring agencies remain deeply involved in the final selection stage. The private sector has also introduced more engaging terminology to enhance the appeal of HR functions. For instance, recruitment and selection is often termed talent acquisition. Alongside this shift in terminology, specific innovations in HR practices have also been introduced.

Performance management

Performance management is the most critical element within Human Resource (HR) functions, which is the major challenge in the public sector. Performance management is also a fundamental tool for holding public sector employees accountable. Performance management is the sum of plan (goal setting), monitoring, performance appraisal and feedback.

Every organisation maintains a plan to achieve its goals through various verticals and personnel responsible for defined duties. These must be monitored to understand current progress and future requirements. Furthermore, performance appraisal or evaluation must be fair, transparent, and embedded with feedback. Performance appraisal does not simply assess performance and reward high achievers. It also establishes work standards and provides essential feedback to employees.

The focus of performance appraisals should be the achievement of tasks defined in the job description. However, due to a lack of proper job descriptions in the public sector, performance management remains a challenge. While the public sector has implemented performance management in practice, it is not strongly aligned with Key Result Areas (KRAs). There is a practice

of performance contracts from the Section Officer to the Secretary level, but these largely focus on process-based activities rather than results-based achievements.

Secretaries sign performance contracts with ministers, and ministers sign them with the Prime Minister. Similarly, the heads of agencies under the Office of the Prime Minister sign performance contracts directly with the Prime Minister. However, these performance contracts emphasise process-oriented milestones rather than substantive outputs.

As the delivery of public institutions ultimately depends on citizen satisfaction, performance management is considered a crucial element for holding public servants accountable. The Office of the Auditor General (OAG) has stated that unless the supreme audit institution conducts performance audits of higher-level authorities and its recommendations are enforceable regarding transfers and promotions, performance management will persist as a major challenge in the public sector.

In contrast, performance management in the private sector is strictly aligned with Key Result Areas (KRAs), with rewards and incentives provisioned directly based on performance. Specific Key Performance Indicators (KPIs), such as time, quality, and quantity, are utilised as universal metrics. Furthermore, cost-effectiveness and satisfaction serve as additional indicators. Typically, KPIs are customised to meet the specific needs of individual companies and organisations.

Performance evaluation should be a combination of both objective and subjective measures. Objective measures are based on quantifiable, fact-based data, such as sales figures or deadlines met. In contrast, subjective measures capture qualitative aspects, such as teamwork, communication, and creativity, which fundamentally require human judgement. A balanced approach that effectively leverages objective data while incorporating subjective evaluation ultimately provides the most comprehensive and accurate assessment.

Unless performance evaluations are utilised for pay, promotion, and retention decisions, or linked directly to organisational goals, the process holds little value. In the public sector, there is strong resistance toward making performance evaluations transparent, applying scientific evaluation methods, and incentivising top performers.

However, correcting deficiencies, reinforcing strengths, and identifying training needs are mandatory for achieving high performance within public sector organisations.

Ultimately, improving performance in the public sector must go hand in hand with motivation, ability (encompassing competence and skills), and a conducive work environment.

Training and development

Training and development are practiced more effectively in the public sector than performance management. Section officers receive intensive entry-level training from the Nepal Administrative Staff College (NASC), with programmes lasting up to six months. Throughout their tenure, officers are typically offered six-week training courses to facilitate smooth transitions within government roles. Additionally, training for undersecretary and joint secretary levels is provided for two weeks immediately following their promotions.

The government has established specialised training institutes tailored to specific service areas. These include the Public Finance Management Training Centre for revenue and accounting, the Co-operative Training and Research Centre, and the Land Management Training Centre for survey-related instruction. Separate centres exist for specific fields, such as the Agriculture Information and Training Centre, the National Health Training Centre, and the Institute of Foreign Affairs (IFA). These institutions focus on providing on-the-job training, while security agencies maintain their own more decentralised training institutes.

In the private sector, skill gaps are identified during both the recruitment and selection process and throughout the job tenure. Upskilling and reskilling are mandatory during transitions to higher levels of responsibility. Furthermore, training and development efforts are directly aligned with organisational results. In recent years, the organised and regulated private sector has prioritised these efforts, responding by establishing its own dedicated training institutes.

Rewards and compensation

In the public sector, a policy of equal pay for equal job levels is maintained. Conversely, the private sector utilises performance-based pay, meaning compensation can vary significantly for the same role based on individual performance. However, the public sector has recently

introduced incentive-based practices, such as the target-based incentives implemented within revenue administration. In the public sector, these incentives are primarily provided to drive motivation.

Regarding rewards and compensation, the public sector offers benefits linked to the Employees Provident Fund, retirement schemes such as pensions, and paid leave for higher studies, alongside other benefits prescribed by the labour law. The private sector, in addition to performance-based pay, provides social security schemes, bonuses, and other benefits as stipulated by the country's labour laws.

In this context, American psychologist Frederick Herzberg's Two-Factor Theory identifies achievement, recognition, responsibility, and advancement as the primary motivators in a job. He categorises salary, supervision, and relationships with colleagues as hygiene factors. He explains that while these hygiene factors do not directly drive high performance, their absence can lead to dissatisfaction, whereas their presence simply prevents it.

There is a fundamental distinction between the public and private sectors. Public institutions are primarily evaluated based on citizen satisfaction, whereas the primary bottom line for private sector employees is to support growth maximisation. Consequently, private sector HR practices may not perfectly translate to the public sector. Furthermore, the private sector is dynamic and flexible in adopting new practices and altering methods for optimal efficiency, a task that is difficult in the public sector, as it requires high-level decision-making and must strictly abide by rigid processes and laws.

Employee relations

Employee relations receive high priority in the private sector, a practice currently lacking in Nepal's public sector. Employee relations encompass several functions, such as executing retention strategies, effectively managing grievances, ensuring an appropriate working environment, and discreetly gathering information on key employees in vulnerable positions whose sudden resignation could significantly impact the company. These efforts also aim to build team spirit, identify sources of dissatisfaction, and address them.

The field has evolved particularly as more Generation Z (Gen Z) employees enter the workforce. Their preferences are distinct; they dislike boss-like attitudes and expect line managers or CEOs to listen to them. If this does not happen, they are prone to quitting. Moreover, organisations must address “can’t do” and “won’t do” issues to achieve performance. While “can’t do” issues can be resolved by filling skill gaps, the “won’t do” issue, which is more prevalent among Gen Z if their concerns are ignored, is more complex.

Previously, termination was considered the solution for “won’t do” issues. However, for Gen Z employees, these challenges can often be resolved through proper employee relations that encourage them to fulfill their work commitments. In chronic “won’t do” cases, there is no alternative but to fire the employee, a process that remains difficult in the public sector.

Conclusion

Employee performance and productivity are major issues within public sector organisations. Proper human resource management improves the performance of public institutions, which in turn enhances productivity. While productivity primarily concerns efficiency and effectiveness, improving overall performance requires a combination of motivation, ability, and a supportive environment. Unless public sector organisations establish consequences for poor performers and rewards for high achievers, achieving the level of performance aspired to by the public will remain difficult.

Implementing these reforms will provide greater exposure to high performers, minimise hierarchical supremacy, and foster horizontal discussion and workplace consultation. Furthermore, such a shift dismisses the culture of sycophancy and supports scientific workload management. Ultimately, reforming public sector HRM will improve public service delivery and enhance satisfaction for both service providers and recipients.

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AI in education and AI education for leaders

■ Rekha Sethi

Artificial Intelligence (AI) has everybody's attention these days. It is the ultimate sidekick for all kinds of tasks, as it amuses, informs, creates, and predicts on demand. It is even the imaginary friend and private tutor that many crave.

AI is set to revolutionise education, as it can considerably free the teachers and the students from the basic tasks of information discovery, structuring and documentation. With instruction mostly taken care of and a sounding board available for testing, the class can be used mostly for social learning and skill practice.

AI has quickly evolved from a mere aggregator and remixer of data into a tool for substantive reasoning and creation. With advances in computing speed and capacity, AI models are not only scouring the internet for sequences and orders of information, they are continuously learning from prompts from millions of users and are able to handle more and more parameters and contexts. AI is increasingly relieving humans of knowing, analysing, and communication, just as calculators did with calculations a few decades ago.

The tech-savvy teachers and students have been using AI for a few years, but now with consumerisation of AI, it is rapidly taking over education. AI's capacity to search, research, organise and present information is allowing both the teachers and the students to move through the lessons and tests with much greater ease and pace.

Teachers are using AI to prepare lessons and tests, create visuals and simulations, and evaluate students and give them feedback. The students are using AI to augment their preparations for classes and exams. With AI ensuring that everybody in the classroom knows everything about everything, the teacher-student interaction is moving to exploring facts and concepts in greater depth. AI's ability to tailor information for individual requirements is allowing personalised instruction and learning.

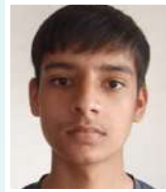
AI allows individual students to use AI to catch up or advance without affecting the rest of the class. AI offers a way to level the learning field for students from unequal or dissimilar backgrounds. In India, where linguistic diversity remains the primary obstacle to advanced education, AI-driven language tools can bridge understanding and communication gaps for students who did not grow up speaking English.

However, the AI flood is scaring a lot of people. The senior academics have to not only learn to use AI themselves, they also have to teach the use of AI. Organisation leaders, who are typically older, have to be educated in the use and potential of AI. Even those leaders who are adept at the previous generations of technologies are wary of AI because of its lack of the verification stage. As AI usage becomes more common and AI learns to reason from its users, there would be no escape from AI-augmented intelligence, decisions and leadership.

AI is the most powerful education and management tool to emerge and it is forcing a sweeping rethink on the structures, processes and outcomes of education and business.



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Comprehensive Analysis on Wealth Distribution, Industry Dominance, and Global Trends

accumulation, exploring patterns of self-made versus inherited fortunes, industry-specific growth trajectories, and the fluid nature of billionaire rankings in a globalised economy.

Keywords: Global Billionaires, Wealth Concentration, Forbes 2025, Billionaire Demographics

1 Introduction

The global billionaire landscape represents a fascinating microcosm of economic power, innovation, and wealth concentration in the contemporary world. The geopolitical issues and advent in semiconductor technology is crucial in industry wealth (Lamsal R.R et.al,2023). As of November 13, 2025, the Forbes Real-Time Billionaires List provides an unprecedented glimpse into the distribution of extreme wealth across industries, geographies, and demographic segments (Forbes, 2025b). This paper presents a comprehensive analysis of the world's top 200 billionaires, examining not just their net worth but the underlying patterns, trends, and factors that characterise this elite economic cohort. The methodological rigour behind such listings involves continuous tracking of public holdings, with values updated every five minutes during market hours, while private company valuations are adjusted daily based on relevant market indices provided by partners like FactSet

Abstract

This paper presents a comprehensive analysis of the world's top 200 billionaires as of November 13, 2025, based on the Forbes Real-Time Billionaires List. The study reveals a landscape of extreme wealth concentration, where the top 10 individuals' control over a quarter of the cohort's total wealth. Key findings highlight the dominance of the technology sector as the primary engine of wealth creation, accounting for 28% of the aggregate net worth. Significant geographic and demographic disparities are identified, with the United States housing 48% of these billionaires and women representing a mere 7%, predominantly through inheritance. Emerging wealth clusters in batteries, cryptocurrencies, and pharmaceuticals signal shifting economic paradigms. The analysis provides critical insights into the dynamics of modern wealth

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Research Systems (Forbes, n.d.-a).

The year 2025 marks a significant milestone in wealth accumulation, with Forbes reporting a record 3,028 billionaires worldwide, an increase of 247 from the previous year collectively worth \$16.1 trillion, representing a nearly \$2 trillion increase over 2024 figures (Forbes, 2025a). This growth trajectory underscores the accelerating concentration of global wealth, even as economies worldwide navigate post-pandemic recovery, geopolitical tensions, and technological transformation (UBS, 2025; Peterson Institute for International Economics, 2024). Within this broader context, the top 200 billionaires represent the absolute apex of this wealth pyramid, controlling a disproportionate share of total billionaire wealth and wielding significant influence over global markets, innovation pathways, and philanthropic initiatives (Oxfam, 2025).

2 Methodology

2.1 Data Sources and Collection

This research employs a multi-faceted methodological approach to ensure comprehensive and accurate analysis. The primary data source is the Forbes Real-Time Billionaires List as of November 13, 2025, which serves as the foundational dataset for all subsequent analysis (Forbes, 2025b). This dataset is complemented by additional Forbes publications, including their annual World's Billionaires List for 2025, which provides valuable contextual information about broader billionaire demographics and wealth trends (Forbes, 2025a). To address gaps in individual billionaire profiles and verify specific attributes, supplementary data was extracted from reliable sources including Bloomberg Billionaires Index (Bloomberg, n.d.), Wikipedia (2025), and other verified publications (Statista, 2025; CEOWorld, 2025).

The data collection process prioritised accuracy and consistency in several key dimensions: net worth calculations, industry classifications, demographic information, and geographic distributions. For billionaires with complex wealth structures or significant holdings in private companies, additional verification was conducted through multiple sources to ensure data reliability (Bloomberg, n.d.; Wealth-X, 2024). It is important to note that all net worth figures represent estimates based on available information, with the understanding that such valuations particularly for assets not publicly traded are subject to fluctuation and methodological differences across tracking organisations (Forbes, n.d.-a; Kroll, 2024).

3 Demographic Analysis

3.1 Age Distribution and Generational Patterns

The age composition of the top 200 billionaires reveals fascinating patterns about the relationship between age, wealth accumulation, and industry dominance. The average age across the cohort is approximately 68 years, suggesting that extreme wealth often represents the culmination of decades of enterprise building, investment acumen, or inheritance stewardship. However, this average masks significant variation, with representation spanning from Mark Mateschitz (33, Red Bull heir) to centenarians like Li Ka-shing (97), demonstrating that billionaire status can be achieved or maintained across the entire adult lifespan. A closer examination reveals distinct generational clusters with different wealth characteristics as depicted in figure 1.

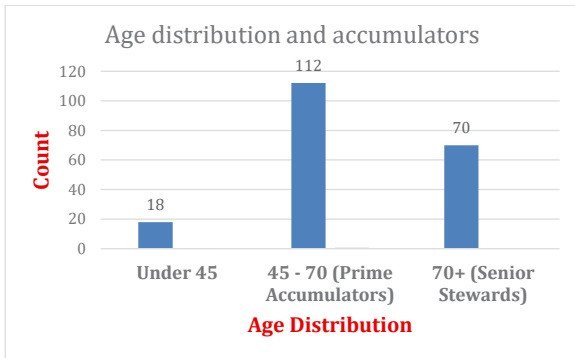
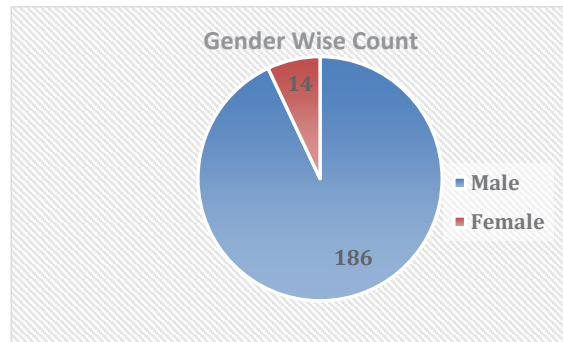


Figure 1: Age Distribution and accumulators

underscores the persistent disparity in wealth accumulation between men and women at the highest economic echelons. Only 14 women appear in this elite group, representing a mere 7% of the total, with their presence predominantly linked to inheritance and family wealth rather than founding new enterprises.



3.2 Gender Representation

The gender composition within the top 200 billionaires as shown in figure 2

Table1: Wealth Distribution by Primary Industry Sectors

Industry	Number of Billionaires	Combined Net Worth	Representative Figures
Technology	42	\$3.2T	Elon Musk, Mark Zuckerberg, Larry Page & Sergey Brin
Fashion & Retail	31	\$1.8T	Bernard Arnault, Amancio Ortega, Walton family
Finance & Investments	28	\$1.4T	Warren Buffett, Michael Bloomberg, Thomas Peterffy
Diversified	19	\$0.9T	Mukesh Ambani, Julia Koch & family
Food & Beverage	13	\$0.5T	Zhong Shanshan, Jacqueline & John Mars

4 Industry Analysis

4.1 Sector Dominance and Concentration

The industry distribution of the top 200 billionaires in Table 1 and Figure 3 reveals the evolving landscape of global wealth creation, with technology, fashion and retail, and finance and investments emerging as the three dominant sectors. The technology sector stands apart, contributing 28% of the total wealth in the top 200 and including seven of the top 10 positions globally. This concentration reflects the exceptional scalability, network effects, and market valuations afforded to digital platforms and infrastructure companies in the contemporary economy.

The fashion and retail sector demonstrates remarkable resilience, with legacy brands like LVMH (Bernard Arnault, \$192.8B) and Zara (Amancio Ortega, \$129.1B) maintaining strong positions alongside Walmart heirs (Walton family, combined \$356.7B). Meanwhile, the finance and investments sector encompasses diverse wealth generation strategies, from traditional investment (Warren Buffett, \$149.2B) to financial information services (Michael Bloomberg, \$109.4B) and discount brokerage (Thomas Peterffy, \$84.6B).

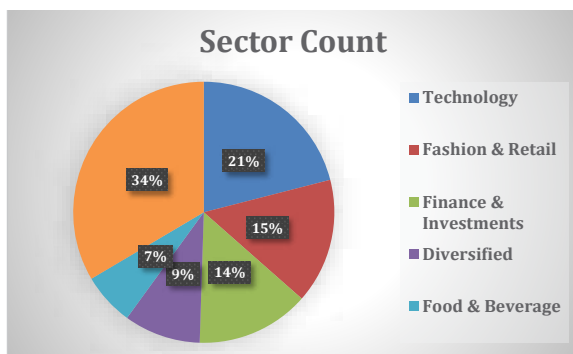


Figure 3: Sector Wise Count

4.2 Emerging Industries and Trends

Beyond the traditional sector classifications, several emerging wealth clusters signal shifting economic paradigms and future growth trajectories. The battery and energy storage sector has generated substantial wealth, reflecting the accelerating global transition toward electrification and renewable energy. Similarly, the cryptocurrency ecosystem has produced its first generation of top-tier billionaires, most notably Changpeng Zhao (\$79.4B) of Binance, despite significant market volatility and regulatory challenges.

The healthcare and pharmaceuticals sector demonstrates robust representation. The presence of defence technology as an emerging category, through investments, points to increasing private sector participation in traditionally government-dominated domains. These emerging clusters illustrate how technological convergence and global challenges are creating new pathways to extreme wealth outside traditional industry boundaries.

5 Wealth Analysis

5.1 Wealth Concentration and Distribution

The distribution of wealth within the top 200 billionaires reveals extreme concentration at the very apex, with the top 10 individuals controlling approximately 27% of the total wealth in this elite group. This concentration follows a power-law distribution characteristic of complex systems, where a small number of actors control disproportionately large shares of resources. Elon Musk alone, with \$482.8B, holds more wealth than the entire bottom 60 billionaires in the top 200 combined, illustrating the asymmetrical nature of modern wealth accumulation.

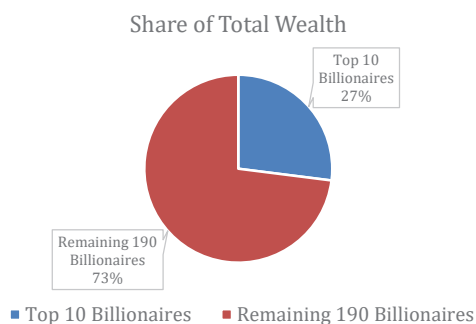


Figure 4: Share of Total Wealth Top 10 Versus Remaining 190 Billionaires

The wealth gradient within the list is remarkably steep, with the top 20 billionaires collectively commanding \$3.96 trillion, while the bottom 20 account for just \$287 billion a differential factor of nearly 14x. This concentration has intensified over recent years, driven by asset inflation in technology stocks and other capital assets primarily held by those at the wealth apex.

5.2 Wealth Dynamics and Mobility

Analysis of year-to-date changes and real-time fluctuations reveals the dynamic nature of billionaire wealth, particularly among those with significant public market exposures. The largest gains are concentrated in high-growth sectors like batteries and technology infrastructure, while the most significant declines appear in traditional industries facing disruption or cyclical challenges. These movements illustrate the continuous reallocation of wealth within the billionaire class based on market perceptions of future growth potential.

Table 2: Geographic Distribution of Top 200 Billionaires

Country/Region	Number of Billionaires	Percentage	Combined Net Worth
United States	96	48%	\$7.8T
China (including Hong Kong)	24	12%	\$1.1T
Western Europe	36	18%	\$2.4T
India	9	4.5%	\$0.4T
Others	35	17.5%	\$1.2T

The sources of wealth mobility can be categorised into several distinct patterns:

- **Market-Driven Movements:** Daily fluctuations in public securities, particularly among tech billionaires with concentrated holdings, create significant wealth volatility.
- **Industry Transformation:** Structural shifts in consumer behaviour and technology platforms can rapidly elevate new entrants while eroding established positions.
- **Generational Transitions:** Wealth transfer between generations creates mobility within family dynasties, as seen with the Walton and Mars families.
- **Corporate Lifecycle Events:** IPOs, spin-offs, and special dividends can create sudden wealth infusions for founders and early investors.

The real-time tracking methodology employed by Forbes captures these dynamics with unprecedented granularity, revealing billionaire wealth as a highly fluid rather than static phenomenon, despite the appearance of stability at aggregate levels.

6 Country Analysis

6.1 Geographic Distribution and National Representation

The geographic distribution of the top 200 billionaires as shown in Table 2

and figure 5 underscores the continued dominance of the United States in creating and sustaining extreme wealth, with 48% of the list (96 individuals) claiming U.S. residency or citizenship. This concentration reflects America's deep capital markets, entrepreneurial culture, and technological innovation ecosystems, particularly in regions like Silicon Valley and Wall Street. The U.S. representation spans diverse industries but maintains particular strength in technology, finance, and retail sectors.

Following the United States, China (including Hong Kong) claims 12% of positions (24 individuals), demonstrating the rapid wealth creation accompanying China's economic expansion and technological emergence. Europe collectively accounts for approximately 18% of the list, with strong representation from France, Germany, and Italy deriving from luxury goods, retail, and manufacturing sectors.

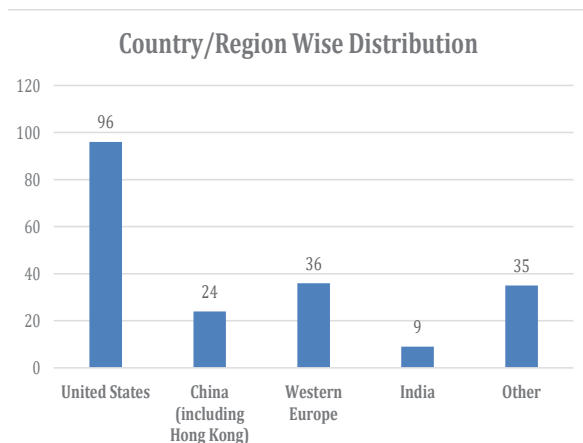


Figure 5: Country/region Wise Distribution

7. Conclusion

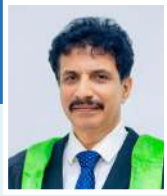
This comprehensive analysis of the world's top 200 billionaires reveals several overarching patterns with significant implications for understanding contemporary

capitalism. First, the technology sector has established itself as the dominant wealth creation engine of the early 21st century, generating unprecedented individual fortunes through platform business models with global scale and network effects. Second, notwithstanding the prevailing narrative of disruptive emerging fortunes, inheritance and family capital endure as formidable influences, as multigenerational wealth preservation exhibits extraordinary resilience throughout various economic transformations. The analysis also reveals significant disparities in geographic and gender representation, with United States' dominance and male predominance suggesting structural factors that shape wealth accumulation opportunities beyond mere meritocratic processes. The concentration dynamics within the top 200 further suggest that wealth begets wealth through capital returns, market influence, and diversified investment strategies that are largely inaccessible to smaller wealth holders.

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The Government as Cultivator, Not Wild Mushroom Picker: Why “No Businesses By Governments” is Bad Business

■ **Sarath S Kodithuwakku (FIMSL)**

Background

Economists often argue that governments should not ‘do business’. This claim, repeated frequently in policy debates, usually implies that the state should not own or operate commercial enterprises that the private sector can run more efficiently. While this argument has merit, it also rests on a narrow and incomplete understanding of what business actually is.

This article reframes the question: if ‘business’ means organised value creation through problem-solving rather than mere commercial ownership, what kind of business should states pursue? Governments should avoid competing in ordinary markets (except clear market failures under competitive neutrality) and specialise in ‘ecosystem business’ i.e., actively cultivating entrepreneurial environments via infrastructure, institutions, and coordination.

All businesses, whether private, public, or social, ultimately exist to create value: economic, social,

or environmental. Profit is one way of measuring that value, but it is not the only one. Public goods like roads, courts, power systems, education, health services, and regulatory institutions may not generate profits in a conventional sense, yet they create immense value by enabling other forms of economic activity as they generate spillovers enabling private entrepreneurship. Institutional economics reinforces this. North (1990) shows institutions reduce transaction costs, while Acemoglu and Robinson (2012) argue that extractive institutions fail long-term whereas inclusive ones foster sustained growth by securing property rights and incentives, precisely the predictability entrepreneurs require.

Entrepreneurship and the Cultivator Role

Entrepreneurs are the engines of value creation, and their success depends on the ecosystem in which they operate. States could excel in ecosystem cultivation, addressing systemic bottlenecks private firms cannot resolve alone. Mazzucato (2013) documents public investments encourage or stimulate private innovation, while Hausmann et al.'s (2008) growth diagnostics

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highlight binding constraints like infrastructure or coordination failures. By eco-system cultivation, I mean coordination and public goods, not central planning but to be a listener and a ‘problem-solver’ that identifies ‘binding constraints’ rather than a top-down director of industry.

By actively addressing systemic bottlenecks, such as infrastructure gaps, regulatory uncertainty, access to finance, skills shortages, and market linkages, governments enable entrepreneurs to innovate, scale, and solve societal problems more effectively. In this view, the state does not compete with entrepreneurs; it cultivates them, ensuring that the benefits of their success are shared through sustainable revenue streams, with taxes reflecting the government’s fair return on its ecosystem-building investment.

Government as an Ecosystem Partner, Not a Market Competitor

A well-functioning private sector does not emerge in a vacuum. Entrepreneurs operate within ecosystems made up of infrastructure, institutions, regulations, skills, finance, logistics, and trust. When these elements are weak or misaligned, even the most capable entrepreneurs struggle.

In this sense, the government’s role is analogous to that of a proactive ecosystem partner; one that identifies systemic bottlenecks in value chains and demand chains, coordinates across ministries and agencies to reduce transaction costs, invests in public goods that no single firm can profitably provide, and ensures predictability, fairness, and rule enforcement. More specifically a ‘Proactive Value-Chain State’ could support: upstream by investing in specialised skills and technology, midstream by strengthening logistics and standards to reduce transaction costs, and downstream by enabling market access and export opportunities.

If every business contributes to value creation, then every government institution should see itself as a business partner of private enterprises, contributing to shared value rather than acting as a distant regulator or rent extractor.

Taxes as the Government’s ‘Return on Investment’

This reframing also allows us to rethink taxation. Instead of viewing taxes as something the government simply collects, they can be

understood as the return on the government’s investment in the business ecosystem.

When the government actively supports value creation by fixing infrastructure gaps, simplifying regulations, enabling access to markets, and reducing uncertainty, private businesses grow, profits rise, and tax revenues increase organically. In this sense, taxes become the government’s fair share of the value jointly created, rather than an imposed burden.

The ‘Wild Mushroom Picker’ Problem

In teaching, I often use the metaphor of a wild mushroom picker. A mushroom picker goes into the forest, collects what has grown naturally, and leaves. There is no effort to cultivate, nurture, or expand future harvests.

Unfortunately, many governments in the developing world have often behaved in this way, i.e., focused on extracting taxes from existing businesses rather than actively helping to grow them. A ‘Mushroom Picker’ government might impose erratic tax hikes to fill a budget gap (extracting what is there). In such contexts, entrepreneurs are left to navigate infrastructure failures, policy instability, bureaucratic delays, and regulatory uncertainty on their own. When businesses struggle or fail, the tax base shrinks, and the cycle of fiscal stress continues.

A more sustainable approach would treat entrepreneurs not as convenient sources of revenue, but as partners in a long-term value creation process. Therefore, a ‘Cultivator’ government might offer targeted infrastructure investment to expand the tax base (planting for the future).

A Proactive Value-Chain State

This does not mean the government should run hotels, factories, or retail chains. Rather, it means the government should become a proactive actor across value chains: supporting upstream inputs such as skills, technology, and finance; strengthening midstream logistics, standards, and coordination; and enabling downstream market access, exports, and demand creation.

When public institutions align their actions with how real value chains operate, the economy becomes more productive, resilient, and inclusive as harvests grown through deliberate and collective effort.

Insight: The State as a 'High-Tech Industrial Park' Developer

To understand the difference between a government that hinders growth and one that cultivates it, imagine the economy as a high-tech industrial park:

- **The 'Mushroom Picker' Landlord:** This government behaves like a landlord who simply collects rent and disappears. They focus on extracting taxes from existing businesses to fill immediate budget gaps while letting the essential infrastructure crumble. In this environment, entrepreneurs are left to navigate bureaucratic delays, power failures, and regulatory uncertainty on their own, eventually leading to a shrinking tax base and a cycle of fiscal stress.

- **The 'Cultivator' Developer:** Rather than running the businesses inside the park, this government acts as a proactive ecosystem partner. They identify 'binding constraints' and provide the public goods that no single firm can profitably provide alone. Their work follows the entire value chain:

Upstream: They ensure there is high-speed internet and specialised skills (representing investments in technology and finance).

Midstream: They build a reliable transport hub and enforce high standards (representing logistics and coordination that reduce transaction costs).

Downstream: They negotiate international trade agreements (representing market access and export opportunities).

- **Taxes as 'Fair Rent':** In this model, the government does not need to own the companies inside the park to be successful. Instead, the 'rent' (taxes) they collect is seen as a fair return on their ecosystem-building investment. Because the developer has provided a high-quality, predictable environment, the businesses become more profitable, and the government's revenue increases organically as a share of the value jointly created.

Rethinking the State-Market Divide

The real choice is not between 'state' and 'market', but between passive extraction and active facilitation. A government that limits itself to regulation and taxation alone is not neutral and it is simply incomplete in its role.

If business is about solving societal problems through organised effort, then the government's most important business is to make problem-solving by others possible at scale. In doing so, it does not weaken the market – it strengthens it. And when the market thrives, the state's revenues follow naturally.

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The Digital Siege: Corporate Vulnerability, Judicial Stagnation, and the Strategic Overhaul of Nepal's Cybersecurity Governance

■ **Dr. Shree Krishna Bhattarai**

Abstract

This article examines the fundamental weaknesses in Nepal's cybersecurity environment and the ongoing crises in its legal system in a nutshell. The public and private sectors are still immobilised by outdated security measures, a dependence on pirated software, a disastrous lack of 'techno-legal' knowledge, and the lack of significant cyberspace or internet sovereignty despite a swift shift to digital technology. Since more than 90% of Nepal's international bandwidth is routed through foreign-owned fibre and gateways, all vital traffic in the country's cyber domain essentially passes through infrastructure controlled by private foreign providers, putting corporate and state data at constant risk of structural surveillance and rendering end-to-end digital security essentially unassured.

Since every server, cloud instance, and crucial application must ultimately rely on foreign-owned cables and upstream providers whose monitoring and interception capabilities Nepal cannot meaningfully audit or restrain, even

businesses that invest in improved internal controls see their data security compromised at the network layer, undermining any claim to digital or data sovereignty.

This study makes the case that Nepal's main barrier to digital security is institutional rather than just technological by analysing recent cyberattacks, such as the Government Integrated Data Centre (GIDC) collapse in 2025, and the socio-political consequences of the 'Gen-Z Revolution'. There is a 'justice vacuum' where neither corporate entities nor victims of cybercrime can rely on prompt or competent adjudication due to the misapplication of the Electronic Transaction Act (ETA) 2063 and political partitioning in judicial appointments, as noted by numerous reports made by the panels constituted by the Bar and Judiciary itself.

The study concludes that Nepal's digital sovereignty, along with its economic stability and constitutional rule of law, remains at terminal risk in the absence of a complete reconstruction of the judiciary, the development of specialised cyber-jurisprudence, and a sovereignty-oriented redesign of national connectivity and data centre policy.

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Keywords: Cybersecurity, Cyber Sovereignty, Technical & Threat Landscape, Corporate Vulnerability, Leapfrog Vulnerability, SQL Injection, Ransomware, FinTech Fraud, Data Exfiltration, Infrastructure Redundancy, Judicial Stagnation, Techno-legal Jurisprudence, Digital Evidence Admissibility, Cyber-Service Cadre, Digital Brain Drain, Public-Private Cybersecurity Alliance

1. Introduction: The Paradox of Digital Progress

Nepal poses a significant digital contradiction in the 2026 environment. With over 90% of households online and a thriving FinTech industry¹ that has enabled 'cashless' transactions possible even in the most remote parts of the Himalayas, the country has accomplished impressive connectivity milestones (Digital Rights Nepal, 2025; Adhikari & Shelly, 2021). However, this digital expansion is based on a shaky foundation. The same websites that grant citizens land titles and passports are now the main targets of both local and foreign cybercriminals (Nepali Times, 2023; The Himalayan Times, 2023).

For IT experts, the 'Digital Crisis of Governance' is now a national security emergency rather than just a theoretical worry (Digital Rights Nepal, 2025). Cybersecurity has evolved from a back-office expense to a fundamental existential issue for Nepali businesses (Annapurna Express, 2025). Millions of citizenship records have been exposed as a result of the state's failure to secure its 'gov.np' domains (Nepali Times, 2023). In order to provide a roadmap for a robust digital future, this paper aims to analyse these mistakes.

2. Research Methodology:

This article employs a mixed-methods academic approach, combining quantitative data analysis with qualitative institutional evaluation, to provide a thorough examination of the cybersecurity

¹ *Fintech, or financial technology, is the application of cutting-edge technology to more effectively, conveniently, and easily provide financial services and products. It is a large industry that is changing traditional finance in a number of important areas.*

environment in Nepal.

2.1. Data Collection:

The data used in the article were collected from the Nepal Police Headquarters Cyber Bureau, which spans the years 2020–2025, and is the basis for the quantitative portion of this study. This includes examining 53,474 cybercrime incidents that have been reported in order to find patterns in victim demographics and platform-specific vulnerabilities.

2.2. Qualitative Analysis:

The qualitative analysis involves:

Legal Review: A critical analysis of the National Cyber Security Policy 2023 and the ETA 2063 to determine its applicability in the modern era.

Case Study Method: A thorough analysis of three major breaches: the current ransomware assaults on Nepali commercial banks, the 2025 'Digital Collapse' of more than 400 government websites, and the 2025 Nepal Police website hack.

Institutional Mapping: Assessing the National Cyber Security Centre's (NCSC) operational efficacy and integration with current law enforcement authorities.

2.3. Theoretical Framework:

This study is based on the 'Leapfrog Vulnerability' Theory, which holds that developing countries that skip traditional developmental stages, for example, by going straight to mobile banking without first establishing secure desktop banking, face particular security risks because their infrastructure and user base lack the incremental 'defence-in-depth' experience of more developed digital economies.

3. The Corporate Battlefield – Targeted Cybercrime

According to Vaultinum (2025) and INTERPOL (2024), the narrative of cybercrime in Nepal has changed from individual social media harassment to systematic attacks on corporate assets, reflecting a broader global trend in which cybercriminals increasingly favour public and private enterprises over lone users.

Ransomware, data theft, and business-focused attacks increasingly predominate in the region, with over 90% of successful events targeting businesses rather than individuals, according to international threat assessments for Asia and the South Pacific (Positive Technologies, 2025; INTERPOL, 2024). Dr. Shree Krishna Bhattarai has cautioned in several public venues that Nepal's corporate sector has turned into the 'frontline of the digital battlefield', drawing both regional and international threat actors due to inadequately secured enterprise systems. In the current digital fight, businesses are on the front lines.

The chronicle of cybercrime in Nepal has changed from personal abuse on social media to organised attacks on company property. In the current digital battle, businesses are on the front lines.

3.1. Ransomware: The New Corporate Overtax

The most damaging threat to Nepal's private sector in 2024 and 2025 was ransomware (INTERPOL, 2024; AAG IT, 2025; Bhattarai, 2024). Because they usually lack dedicated security operations centres (SOCs) and off-site backups, small and medium-sized enterprises (SMEs) are commonly targeted (Joshi, 2024; ENISA, 2023).

Case Study: Several well-known Nepali manufacturing companies reported complete system lockouts at the beginning of 2025. In order to access financial records, the attackers required payments in Monero, a cryptocurrency that prioritises secrecy (Red Goat Cyber Security, 2023; BankInfoSecurity, 2024). Many businesses were obliged to make covert payments or risk bankruptcy since Nepal lacks a formal 'No Ransom' policy and a cyber-insurance market (OECD, 2022; BankInfoSecurity, 2024; Bhattarai, 2024).

3.2. FinTech and Social Engineering:

Nepal's success with digital wallets (eSewa, Khalti) has made it a 'honeypot' for cybercriminals, following worldwide

patterns in which mobile money ecosystems and payment platforms draw large-scale fraud (World Economic Forum, 2025; UNODC, 2024). According to statistical analysis, financial fraud now makes up more than 40% of all reported cybercrimes. This is in line with global data showing that fraud-type incidents account for about 40% of cybercrime complaints and are increasingly motivated by low-tech frauds (B.D. Emerson, 2025). One-Time Passwords (OTPs) are harvested by attackers using sophisticated social engineering, frequently posing as bank employees or government tax agents. This trend has also been identified in international operations against phishing, impersonation, and investment fraud (INTERPOL, 2024).

Here, there are two corporate vulnerabilities:

Platform Integrity: Although the wallets are safe, the 'human API' isn't since social engineering schemes often take advantage of people instead of fundamental cryptographic safeguards (Sprinto, 2025).

Liability Gaps: According to Dr. Shree Krishna Bhattarai's commentary on how current cyber-law frameworks fail to allocate platform responsibility in financial fraud cases, businesses are currently not required by law to compensate victims of social engineering, which results in a decline in consumer trust (Bhattarai, 2024).

4. National Sovereignty Under Attack – The Hacking of gov.np

As governments around the world deal with increasing cyber events that directly undermine public trust in digital services, the state is fighting for its reputation as firms compete for profit (World Economic Forum, 2025). The Government Integrated Data Centre (GIDC), the government's centralised hosting model, has proven to be a 'single point of failure', as evidenced by previous attacks and outages. A disruption at this one facility can cause

hundreds of crucial ‘.gov.np’ sites to go offline at the same time (Kathmandu Post, 2023; Onlinekhabar, 2023). Dr. Shree Krishna Bhattarai has cautioned in interviews and public lectures that such over-centralisation, in the absence of redundancy or techno-legal control, turns GIDC into a strategic risk rather than an e-governance safety (Kathmandu Post, 2023).

4.1. The 2025 Digital Collapse:

Over 400 government websites were taken down by a concerted attack in March 2025, which was the most disastrous event in Nepal’s digital history (B360 Nepal, 2026; CyberPress, 2025). For almost 72 hours, essential services like immigration, customs, and passport issuance were shut down, impairing public transportation and vital state operations (B360 Nepal, 2026). Because the attack took use of systemic flaws in the Government Integrated Data Centre (GIDC) and revealed the vulnerability of Nepal’s over-centralised e-governance backbone, this was more than just a defacement – it was a structural breach (CyberPress, 2025).

4.2. The Citizenship Data Leak:

The Nepal Police online system was allegedly hacked in April 2025 by a group called ‘Kazu’, which gained access to a dataset purportedly comprising over two million images of citizenship cards and associated identity documents submitted for police clearance certificates (CyberAlert Nepal, 2025; Daily Dark Web, 2025). When perimeter defences fail, mass state-held identity data can be commodified and exchanged as a single high-value bundle, as demonstrated by the fact that these records were subsequently advertised on dark-web forums for almost 7,000 USD (Daily Dark Web, 2025; Reddit user report, 2025).

Since attackers appear to have exfiltrated stored citizenship images and related files rather than just intercepting traffic in transit, this incident represents a failure to adequately secure

‘data at rest’ from a forensic and regulatory standpoint. This indicates vulnerabilities in encryption at rest, key management, and internal access controls (ENISA, 2023). Such breaches in state repositories underscore the necessity of adopting a comprehensive Data Protection Act for Nepal, in line with international standards such as the EU’s GDPR and emerging data-protection regimes in Asia, to define sensitive personal data, mandate strong technical safeguards, and assign clear liability when government-held data are compromised, as cyber-law expert ‘Dr. Shree Krishna Bhattarai’ has highlighted in media commentary (Bhattarai, 2025; The Himalayan Times, 2025).

4.3. Infrastructure Antiquity:

Numerous government portals in Nepal are still running on outdated, unpatched Content Management Systems (CMS), which exposes them to well-known web-application vulnerabilities that have been reported in international security assessments for years (World Bank, 2025; Invicti, 2013). Boolean-based SQL Injection, an attack vector known for more than 20 years, is still the main entry point for about 65% of reported breaches in the ‘.gov.np’ space, according to research into recent hacks. This allows attackers to dump backend databases through unsanitised input fields (B360 Nepal, 2026; Onlinekhabar, 2024).

The country’s inability to implement fundamental ‘cyber’ hygiene measures, like patch management, strong authentication, and mandatory multi-factor authentication (MFA) on administrative panels, reflects more general trends in emerging economies, where organisations like the World Bank have identified the lack of MFA and regular updates as a major contributor to systemic digital-ID and e-government risk (World Bank, 2025; Venture in Security, 2022). Dr. Shree Krishna Bhattarai, a cyber-law expert, has frequently maintained that Nepal will continue to be caught in a cycle of

avoidable breaches and crisis-driven reforms if such baseline measures are not codified into legally binding norms for public systems.

5. The Judicial Bottleneck and Legal Stagnation

The Nepali cyber jurisprudence has emerged as the ‘weakest link’ in the cybersecurity chain, reflecting a broader trend observed in many emerging economies where deterrence against sophisticated digital offences is undermined by antiquated laws, poor conviction rates, and procedural delays (World Bank, 2020; Rahman, 2025). Research on the prosecution of cybercrime in South Asia reveals that deficiencies in legal frameworks, inadequate forensic capabilities, and overworked courts result in structural weaknesses that cybercriminals easily take advantage of, transforming even well-crafted cyber laws into essentially symbolic tools when cases eventually go to trial (Rahman, 2025; AIRE Centre, 2024).

According to Bhattarai, as Nepal’s criminal justice system lacks expert judges and trained prosecutors, specialised cyber benches, and clear evidentiary standards for digital forensics, it is unable to keep up with the rapidly evolving online harms, effectively reducing cybersecurity policy to ‘recommendation without retribution’.

5.1. The Lacking of the ETA 2063:

The Electronic Transactions Act² is structurally unprepared for the digital and platform economy of 2026 since it was written for a time of dial-up internet and early e-commerce (Kshetri, 2010; Clar et al., 2023). Its ambiguous regulations conflate ‘hacking’ with defamation-related offences, reflecting concerns around the world that sophisticated

incursions are not adequately enforced while cybercrime laws are being used to target social media critics (Clar et al., 2023; Global Press Journal, 2025). Experts contend that the ETA also ignores contemporary threats like AI-generated deepfakes, credential stuffing, and DDoS-as-a-Service, which are now considered separate attack classes in modern cybersecurity practice (Kasada, 2023; OWASP, 2014).

5.2. The Digital and Electronic Evidence Crisis:

In line with a larger global trend in which courts find it difficult to assess logs, metadata, and encrypted artifacts within conventional evidentiary categories like hearsay and documentary proof, the Nepali Evidence Act does not offer precise, contemporary guidelines for the admissibility of digital forensics (Grimm & Brady, 2013; Moss, 2009). A concern that is equally pertinent to Nepal’s courts is that judges in many jurisdictions who lack technical training are cautious of machine-generated records and frequently treat log files or complex digital traces as intrinsically ‘tamperable’ unless supported by specialised expert testimony and a clear chain of custody (Sytech, 2025; Jusscriptum Law, 2024).

The successful prosecution of sophisticated cybercriminals is still very challenging in the absence of a specific Digital Evidence Act or comparable framework that integrates cyberlaw and evidentiary standards. This is because prosecutors must fit skilled intrusions into analog rules that were never intended for volatile data and large-scale forensics (Jusscriptum Law, 2024). The ‘stagnation effect’, in which cybercrime cases linger for years while digital evidence deteriorates, becomes inaccessible with shifting platforms, or is rendered irrelevant by rapid technological shifts, is experienced globally by backlogged district-level courts already overburdened by civil and criminal dockets (Thomson Reuters Institute, 2023; OpenFox, 2025). The legal system cannot turn cybercrimes

2 The Nepali version of the Act renders the word “Electronic” as “Vidyutiya,” which is grammatically, philosophically, and literally inaccurate. “Vidyutiya” does not refer to the “electronic” or “digital” realm, but rather to electricity.

into reliable, prompt convictions without specialised benches, qualified judges and proficient prosecutors, and established protocols for gathering, preserving, and presenting digital evidence.

6. The Human Capital Crisis – Brain Drain and the Tech Skill Gap

Human resource serves as the ‘operating’ system that enables infrastructure and laws to function as the ‘hardware’ and ‘software’ of national security. The country’s long-term digital resilience and security are at risk due to an acute episode of digital brain drain in Nepal, where qualified professionals in cybersecurity, ICT, and legal technology are migrating to overseas markets.

6.1. Statistical Reality of Emigration:

According to statistics from the Department of Immigration, over 1.67 million Nepalis moved overseas for employment or permanent residence in 2024, (Department of Immigration, 2024; Shrestha, 2024). High-skilled IT professionals make up a disproportionate portion of this group (Shrestha, 2024). Graduates from Nepal’s premier institutions, such as Pulchowk Campus or Kathmandu University, are increasingly seeking careers in Australia, Canada, and Europe, citing a lack of competitive compensation and a ‘stagnant’ domestic tech environment (Ministry of Labour, Employment and Social Security, 2024; Shrestha, 2024).

6.2. The Internal Skill Gap:

The largescale migration has resulted in a ‘Cybersecurity Skill Gap’ for the businesses that are still in Nepal (ISC2, 2024; World Economic Forum, 2024). There is a lack of local talent capable of performing advanced penetration testing or incident response, even when a Nepali bank or corporate house is willing to invest in a Security Operations Centre (SOC) (ISC2, 2024; Core Security, 2024).

This leads to an over-reliance on foreign vendors, which introduces its own set of risks, including potential backdoors and a lack of local accountability

(Communications Security Establishment, 2022; World Economic Forum, 2023). Without a state-led initiative to incentivise tech talent to stay; through tax breaks for tech startups or specialised ‘Cyber-Service’ cadres within the civil service – Nepal will continue to be a nation of digital consumers rather than digital defenders (OECD, 2020; World Economic Forum, 2023).

7. Policy and Governance Review – The NCSC and GIDC:

The government established the National Cyber Security Centre (NCSC) and approved the National Cyber Security Policy 2023 in response to growing threats. Although these are positive steps, a critical examination reveals substantial operational obstacles.

7.1. The Centralisation Trap: GIDC as a Single Point of Failure:

With the Government Integrated Data Centre (GIDC) serving as the centre for all state digital assets, Nepal’s approach has favoured a centralised model (Annapurna Express, 2025; Nepali Times, 2023). Centralisation makes management easier, but it also creates a single catastrophic target for privilege-escalation-driven intrusions and volumetric DDoS campaigns, as demonstrated by the recent outages of over 400 government websites and immigration services.

Finding: An investigation into the 2025 outages revealed that a breach in one small municipal portal allowed attackers to pivot laterally using methods like SQL injection and shell access, ultimately paralysing vital national systems because government websites shared the same hosting environment without appropriate network segmentation (CyberPress, 2025). Globally, government entities have seen a 65% year-on-year surge in ransomware incidents in the first half of 2025 alone, underscoring how unsegmented, centralised infrastructures remain a high-value, high-impact attack surface (Comparitech, 2025).

7.2. The NCSC: Power without Teeth

Nepal's National Cyber Security Centre (NCSC), which was intended to be a round-the-clock monitoring and incident-coordination organisation, is still chronically nonfunctional (Spotlight Nepal, 2024). The NCSC runs the risk of acting more like a 'suggestion bureau' than a legally binding national cyber defence command in the absence of clear legal authority to punish or fine non-compliant public agencies or private critical infrastructure operators, leaving persistent attack surfaces vulnerable to credential stuffing, lateral movement, and data exfiltration campaigns (Digital Rights Nepal, 2024).

8. The Path Forward – Institutional and Judicial Overhaul

Nepal needs a three-pronged reform – legislative, judicial, and collaborative – in order to move from a state of crisis to one of resilience.

8.1. Specialised Cyber Benches in the Courts

The practice of generalist judges deciding cases involving highly technical hacking and cybercrime must end. No judge in Nepal has received formal academic degree in cyber law or cybercrime at any level of the judiciary, including the Supreme Court. Although the Constitution of 2047 BS mandated a Bachelor of Law degree for judicial appointment, the system has continued to produce legal generalists rather than domain experts. Historically, judges were selected from the 'Char Pāse'³ tradition.

This skills gap has turned into a structural weakness in the administration of justice as cybercrimes increasingly involve blockchain transactions, digital forensics, malware

analysis, and cross-border data flows. As a result, Nepal needs to create Specialised Cyber Benches at all judicial levels, manned by judges with certified training in emerging technologies, digital forensics, and cybercrime investigation.

As the constitutional body in charge of judge appointments, the Judicial Council must take the initiative to prioritise technical competence in future judicial selection and training in addition to swiftly filling current Supreme Court vacancies. Effective cybercrime adjudication and public trust in cyber justice will continue to be severely jeopardised in the absence of such reforms.

The Digital Evidence Act: To establish precise guidelines for the admission of social media screenshots, encrypted logs, and metadata in court, a new law must be passed.

Fast-Track Litigation: Since cybercrimes occur at the speed of light, a three-year court case is essentially a denial of justice.

8.2. Enactment of Cyber Laws

At the moment, Nepali businesses are able to conceal data breaches from their clients without facing legal repercussions. The company's reputation is safeguarded at the expense of citizen security by this lack of transparency.

Enacting a Data Protection and Privacy Act that requires notification within 72 hours of a breach would compel businesses to put security first and enable people to take precautions (such as changing their passwords) before their data is exploited on the dark web.

8.3. Public-Private Partnerships (PPP) in Defence

The digital frontier cannot be secured by the state on its own. There must be a formal Public-Private Cybersecurity Alliance. Within this model:

³ An elementary school called *Sresta Pathsala* offered legal instruction prior to the creation of official law degrees in Nepal. Those who passed this institution's exam were known as "Char Pāse" and were eligible to work in the justice administration system at the administrative or clerical level.

- (a) Information Sharing: The NCSC receives real-time threat intelligence from banks and ISPs.
- (b) Joint Drills: Every year, the public and private sectors engage in ‘Cyber Red-Teaming’ drills to mimic an attack at the national level.
- (c) Local Tech Sovereignty: Promoting the use of locally created security tools to lessen reliance on foreign platforms like Google or WhatsApp for official government business, such as Nepal’s ‘Galli Maps’ for sensitive logistics.

9. Conclusion: From Vulnerability to Sovereignty

Nepal’s digital crisis is less a technical malfunction than a governance failure that has allowed critical infrastructures, legal frameworks, and institutions to lag behind rapid digitisation. As the country advances toward the ambitions of the Digital Nepal Framework, security must shift from being an afterthought to a foundational ‘pillar’ embedded in architecture, budgeting, and oversight across the state and key sectors. The ‘digital collapse’ of 2025 and subsequent high-profile incidents are not isolated shocks, but visible symptoms of deeper structural weaknesses in law, capacity, and coordination.

At the same time, the ongoing ‘IT Decade’ (2024–2034) offers a narrow but consequential opportunity to convert this leapfrog vulnerability into a leapfrog advantage. By modernising its cyber legal regime, empowering a properly mandated and resourced NCSC, investing in domestic talent, and reducing strategic dependence on foreign infrastructure, Nepal can move from reactive crisis management toward genuine tech sovereignty. The path to digital sovereignty will not be paved by more apps and portals alone, but by enforceable laws, trusted institutions, and resilient infrastructure that together function as a fortress for both citizens and the state.

10. Strategic Suggestions for Institutional Overhauling

Hardware upgrades are insufficient to end the ‘Digital Siege’. It necessitates a fundamental reorganisation of how the public and private sectors view and handle risk. The following four-pillar approach is suggested based on the current trajectory of cyberthreats in 2025 and early 2026.

10.1. Legislative Modernisation: Beyond the ETA 2063

The ETA has served as a stopgap for two decades, but its utility has expired.

- (a) The Cyber Resilience Act: Nepal needs to pass a comprehensive Cyber Resilience Act that distinguishes between ‘infrastructure protection’ (hacking/DDoS) and ‘content regulation’ (defamation/harassment). Critical infrastructure providers, such as banks, telecoms, and energy companies, should be required by law to follow a national security standard.
- (b) The PDPA, or Personal Data Protection Act: A Nepali PDPA, modelled after the EU’s GDPR, must be passed in order to give citizens the ‘right to be forgotten’ and to penalise businesses severely for failing to protect user data. Corporate cybersecurity investment would be financially motivated as a result.

10.2. Establishment of Dedicated Cyber-bench in the Courts

The majority of cases that are currently classified and prosecuted as ‘cybercrime’ actually involve social media-based defamation and should be decided under regular civil and criminal defamation jurisdiction rather than under specific cybercrime frameworks. True or ‘core’ cybercrimes are those that directly jeopardise data or information systems, such as ransomware and malware campaigns, DDoS attacks, complex techno-financial frauds, data exfiltration, identity theft, cyber-extortion, and trade-secret or intellectual property espionage. These crimes require cyber-expert judges

and dedicated cyber benches at all levels, especially at the apex court.

10.3. Corporate ‘Cyber Hygiene’ Mandates

The soft underbelly of Nepal’s digital economy continues to be the private sector.

- (a) **Mandatory Security Audits:** All licensed financial institutions and listed companies are required to undergo quarterly third-party security audits by the Securities Board of Nepal (SEBON) and Nepal Rastra Bank (NRB).
- (b) **Cyber-Insurance Market:** The government ought to make it easier for international cyber-insurance companies to enter the market. Businesses are less likely to use covert cryptocurrency payments to support criminal syndicates if they have ransomware insurance.

10.4. Human Capital: Establishing a ‘National Cyber Reserve’

Nepal needs to instill a sense of ‘digital patriotism’ in its tech talent in order to stop the brain drain.

- (a) **The Cyber-Service Cadre:** To retain top hackers and analysts in the government, a ‘Technical Cyber Service’ with competitive, market-linked salaries should be established within the civil service, similar to Nepal’s Administrative or Foreign Service.
- (b) **University-Industry Pipelines:** In collaboration with the NCSC, universities must transition from purely theoretical computer science degrees to useful, lab-based ‘Cyber-Defence’ certifications.

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From Policy to Practice: Strengthening PPP for Scalable Private Investment

Evidence and Comparative Lessons from Nepal, India,
Philippines, South Africa and Kenya

1. Introduction

Infrastructure investment is a foundational driver of economic growth, productivity, and social inclusion. Yet, many developing and emerging economies face persistent infrastructure financing gaps due to fiscal constraints, rising public debt, and competing development priorities. In response, Public–Private Partnerships (PPPs) have been widely promoted as mechanisms to mobilise private capital, transfer risk, and improve efficiency in infrastructure delivery (Grimsey & Lewis, 2004; World Bank, 2017).

Over the past two decades, the global diffusion of PPP policies has been rapid. Numerous countries have enacted PPP laws, established dedicated institutions, and adopted investment promotion strategies. However, empirical outcomes reveal a recurring paradox: the existence of PPP policies does not reliably translate into bankable projects or sustained private investment (Hodge & Greve, 2017). Project pipelines often remain thin, procurement cycles are prolonged, and many announced projects fail to reach financial closure.

Nepal exemplifies this challenge while also offering recent evidence of institutional transition. Nepal’s capital expenditure absorption

remains weak: just 70% of the allocated development budget was spent in FY 2022/23. Annual infrastructure financing needs exceed 7%–10% of GDP. Roads, energy, sanitation, and urban utilities remain underdeveloped, especially in remote provinces. These evidences have itself supported the need for PPP. Although Nepal has developed a formal PPP policy and legal framework, namely PPP policy 2015 & PPIA 2019, private investment outcomes have remained limited for an extended period. More recently, reforms emphasising institutional capacity, structured project pipelines, and investor facilitation have begun to reshape the PPP ecosystem. These reforms mirror lessons observed in other emerging economies that have moved from policy-centric to delivery-oriented PPP systems.

This study addresses the central research question, what institutional and project-level factors enable PPP frameworks to generate scalable private investment in emerging economies? Using Nepal as the primary case and drawing comparative evidence from India, the Philippines, South Africa, and Kenya, the study contributes to applied PPP governance literature by integrating institutional analysis with empirical proxy indicators of PPP performance.

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- Former CEO, Investment Board Nepal; Patron, Nepalese Association of PPP Professionals and Practitioners
 - Head (Research and Publications), Nepalese Association of PPP Professionals and Practitioners

2. Literature Review

2.1 Understanding PPP

Many development strategists in Nepal see PPP as a tendering tool of government where the government asks the private sector to invest in public sector development majorly in infrastructure services, with the expectation that the private party would transfer the ownership back to the government at the end of the tendering period. This is not true. Their understanding of Public Private Partnership does include Public sector development through private investment intervention, but they forget the main component, Partnership. PPPs are a partnership framework between public sector and private investor where both private sector and government are equal partners may it be in case of returns or may it be in terms of risk. While the private sector is responsible for performance, quality and timely execution, it is the responsibility of the public sector to provide a conducive environment through good governance as well as a more predictable, stable and safe investment climate.

PPPs are the answer to Nepal's goal of inclusive and sustainable development in the face of fiscal constraints, but only when complimented with transparent governance, sound economics, and social accountability. What Nepal needs is not fewer PPPs, but smarter ones, supported by institutional integrity of line and a long-term national strategy executed through integrated national PPP framework with proper coordination among Ministry of Finance, Federal PPP agency, line agencies, as well as provincial and local governments. The empirical literature, such as Hammami, Ruhashyankiko, and Yehoue (2006), Moszoro et al. (2015), and Kumar (2019), supports the hypothesis that higher governance quality is positively associated with increased levels of PPP investments.

Early PPP literature framed partnerships primarily as contractual and financial arrangements designed to achieve value for money through risk transfer and lifecycle efficiency (Grimsey & Lewis, 2004). Under this view, well-designed contracts and competitive procurement were assumed to deliver superior outcomes compared to traditional public procurement. However, subsequent research questioned these assumptions, highlighting renegotiations, fiscal

risks, and governance failures in poorly designed PPPs (Engel et al., 2014). Scholars increasingly emphasised that PPP outcomes depend not only on contract structure but also on the broader institutional environment.

2.2 Institutional Economics and PPP Governance

Institutional economics provides a critical lens for understanding PPP performance. North (1990) argued that credible commitments, predictable rules, and enforcement capacity are prerequisites for long-term investment. In PPP contexts, weak institutions increase transaction costs, elevate perceived risks, and deter reputable investors.

Empirical studies show that countries with centralised PPP units, standardised appraisal methodologies, and strong fiscal oversight demonstrate higher project completion rates and fewer renegotiations (Hodge & Greve, 2017; World Bank, 2020). Conversely, fragmented mandates and politicised project selection undermine credibility.

2.3 Project Preparation and Pipeline Constraints

Although blamed on resource constraints, recent literature identifies project preparation, as the primary binding constraint in many emerging economies (OECD, 2015; ADB, 2019). The concept of a "project bank" or structured pipeline has gained prominence as a mechanism to improve project quality, sequencing, and investor confidence. Comparative studies in Asia and Africa show that jurisdictions investing in upstream project development, feasibility studies, and transaction advisory support achieve higher rates of financial closure and shorter procurement timelines (World Bank, 2020).

3. Study Methodology and Analytical Framework

This study employs a comparative qualitative methodology to examine how institutional design, project preparation, transparency, bankability, and execution environments shape PPP performance in Nepal, India, the Philippines, South Africa, and Kenya. The analysis is based on a structured review of official government documents, multilateral development bank diagnostics, and internationally comparable datasets. The framework integrates four dimensions: institutional capacity and mandate, project pipeline and preparation systems, bankability and execution environment, and

observed financial closure outcomes.

A de-jure | de-facto lens is applied to distinguish formal PPP authority from implementation practice. Pipeline transparency and preparation systems are treated as explanatory variables rather than descriptive metrics. Bankability and execution are assessed using PPP-relevant regulatory proxies, supported by Doing Business 2020. Together, these elements explain cross-country differences in PPP realisation and delivery (OECD, 2018; World Bank, 2020; ADB, 2019).

4. Comparative Analysis

4.1 Institutional Capacity and Mandate

Comparative analysis reveals that delivery-oriented institutional design is strongly associated with better PPP outcomes. The Philippines' centralised PPP centre emphasises early-stage project preparation and transaction advisory, contributing to higher closure rates and shorter procurement cycles (ADB, 2019). India's sector-driven model, particularly through agencies such as the National Highways Authority of India, enables scale through standardised contracts and viability gap funding (OECD, 2018). South Africa's treasury-led model prioritises fiscal discipline and standardised appraisal, reducing contingent liability risks (National Treasury, 2019). Kenya's PPP Directorate illustrates the role of centralised screening combined with sector and subnational implementation (World Bank, 2020). Nepal's recent reforms align with these models by strengthening central coordination, standardising procedures, and investing in project pipelines.

Table 1: Comparative PPP Institutional Models

Country	Nepal	India	Philippines	South Africa	Kenya
Institutional Model	Investment board-led model	Central appraisal with sector execution	Centralised PPP unit	Treasury-led model	Central screening model
Core PPP Entity	Investment Board Nepal (IBN)	PPP Appraisal Committee (PPPAC), DEA (central)	PPP Centre (PPP Centre of the Philippines)	National Treasury PPP Unit (Regulation 16, PFMA)	PPP Directorate / PPP Unit (National Treasury)
Primary Functions	Project facilitation, approvals, Pipeline coordination	Project appraisal, approval, policy oversight (sector agencies implement)	Project preparation, transaction advisory, monitoring	Fiscal oversight, value-for-money appraisal, approvals	Screening, advisory support, coordination with counties
Key Strengths	Political backing, coordination	Scale, standard contracts	High-quality project preparation	Strong fiscal discipline	Growing pipeline
Key Constraints	Capacity strain	Revenue/demand risk; coordination	Central bottleneck	Longer approval timelines	Subnational capacity gaps

PPP preparation to implementation: de-jure vs de-facto

Although the institutional models provide one picture as in the above table, it is important to distinguish between de jure PPP arrangements and de facto implementation practices. The de jure-de facto comparisons show how central PPP authorities function primarily as gatekeepers and coordinators, while delivery responsibility rests with implementing agencies across sectors and levels of government. Countries where de jure oversight is closely aligned with de facto implementation capacity, such as the Philippines and South Africa, tend to demonstrate stronger project preparation and more predictable transaction processes. By contrast, wider gaps between formal authority and operational responsibility,

as seen most clearly in India and to a lesser extent in Nepal and Kenya, help explain variations in closure rates, procurement timelines, and risk allocation outcomes. Overall, it may be observed that PPP performance is shaped not only by formal institutional models, but by how effectively central mandates are translated into practice through coordinated, well-capacitated implementing agencies.

Table 2: de-jure v/s de-facto PPP agencies

Country	De jure (formal / legal PPP authority)	De facto (implementing agencies in practice)
Nepal	Investment Board Nepal (IBN) under the PPP and Investment Act, 2019; apex authority for large PPP and investment projects, approvals, and coordination	Line ministries and state-owned enterprises (e.g., energy, transport, urban infrastructure agencies) originate and sponsor projects, often relying on IBN for facilitation and approval
India	Public Private Partnership Appraisal Committee (PPPAC) under the Department of Economic Affairs (DEA); responsible for appraisal, approval, and policy oversight of central-sector PPPs	Sector authorities act as primary developers and procuring agencies, notably NHAI (roads), major port authorities, airport authorities, and other line ministries
Philippines	PPP Centre of the Philippines ; centralised PPP unit providing project development, transaction advisory, and quality control under the BOT Law framework	Line agencies, government-owned and -controlled corporations (GOCCs), and local government units (LGUs) act as contracting authorities, with heavy reliance on PPP Centre support
South Africa	National Treasury PPP Unit (Regulation 16, PFMA); exercises fiscal oversight, value-for-money tests, and approval authority	National and provincial departments (and some SOEs) develop and implement PPPs, subject to Treasury approvals at each stage
Kenya	PPP Directorate / PPP Unit within the National Treasury under the PPP Act, 2021; centralised screening, appraisal, and advisory authority	Contracting authorities (line ministries, state corporations, and county governments) originate and implement PPP projects with advisory oversight from the PPP Directorate

4.2 Project Pipeline and Preparation systems

From a development strategy perspective, what matters is not just how many projects exist, but whether governments are willing and able to make that information public. In this comparison, the Philippines and Kenya stand out as they place their PPP pipelines in the public domain, listing projects by name, sector, and status. This level of transparency allows investors, lenders, and citizens alike to see what is coming, to judge readiness, and to track whether projects actually move from planning to procurement. Elsewhere, the picture is less clear. India and South Africa publish ambitious national infrastructure plans, but PPPs are embedded within much larger project lists and are not separately enumerated. Nepal goes a step further back, with PPP projects disclosed on a case-by-case basis rather than through a consolidated pipeline. The strategic consequence is significant: where pipeline information is fragmented or opaque, it becomes difficult to assess credibility, prioritise preparation resources, or test whether transparency itself contributes to higher project realisation and long-term PPP success.

Projects only succeed when ideas are properly prepared, structured, and taken to market. The Philippines offers the clearest model, linking its publicly disclosed pipeline to a central preparation mechanism under the PPP Centre. This creates a visible pathway from project identification through feasibility, transaction structuring, and procurement, making performance easier to monitor and course-correct. By contrast, India, South Africa, Kenya, and Nepal rely on more dispersed preparation arrangements. While each has a central PPP institution, preparation funding and expertise are spread across ministries, agencies, and development partners, with limited consolidated reporting. In Nepal and South Africa, multilateral assessments consistently describe preparation as fragmented and project-specific. This fragmentation reduces learning effects, slows momentum, and weakens accountability,

especially when combined with limited public disclosure of pipeline information.

Table 3: Project pipeline and Preparation systems

Country	Official PPP pipeline	National Project Preparation Facility	% Projects reaching Tender
India	7,400 infrastructure projects (PPPs not separately enumerated)	No dedicated facility	60-70%
Philippines	168 PPP projects	Yes – Project Development and Monitoring Facility	65–75%
South Africa	276 infrastructure projects	No dedicated facility	40-50%
Kenya	83 PPP projects	No dedicated facility	45-55%
Nepal	No consolidated PPP pipeline (22-27 large scale projects in approximation)	No dedicated facility	25-35%

Taken together, the evidence suggests that transparency in PPP pipeline disclosure and coherence in project preparation systems are not incidental features, but core determinants of PPP performance. From a development strategy perspective, this indicates that open access to pipeline information, combined with structured preparation systems, strengthens credibility, accelerates project realisation, and increases the likelihood of sustained PPP success, rather than the sheer size of the infrastructure agenda alone.

4.3 Bankability and Execution Environment

From a PPP perspective, bankability reflects whether projects can reach financial closure with commercial lenders on sustainable terms. India and the Philippines display relatively strong bankability. India benefits from large project scale, a deep domestic financial sector, and improving creditor and insolvency frameworks, although confidence varies across states. The Philippines offers a smaller but more predictable market, supported by standardised PPP contracts and clearer risk allocation. South Africa and Kenya show moderate bankability, with successful transactions in key sectors but higher financing costs linked to fiscal pressure and currency risk. Nepal’s PPP market is still emerging, with limited domestic long-term financing, resulting in greater reliance on international financing including multilateral and sovereign support.

Execution environments also vary. The Philippines performs relatively well due to centralised coordination and clearer approvals. India’s execution is mixed, combining strong capacity with land and regulatory challenges. Kenya’s environment is dynamic but uneven, while South Africa faces growing institutional bottlenecks. Nepal’s execution context remains capacity-constrained, shaped by complex approvals and implementation challenges (Doing Business, 2020).

Table 4: PPP Bankability and execution environment

Country	PPP Bankability	Key Bankability Constraints	PPP Execution environment	Key execution risks
India	High	Inconsistent risk allocation; state-level variation	Moderate	Land acquisition; regulatory overlap
Philippines	High	Limited market size; political transition risk	Relatively strong	Local government coordination
South Africa	Moderate	Fiscal pressure; SOE risk	Moderate–weak	Institutional bottlenecks; slow approvals

Kenya	Moderate	Currency risk; contingent liabilities	Moderate	Procurement disputes; renegotiations
Nepal	Low	Shallow capital markets; MDB dependence	Weak	Capacity constraints; approvals; land issues

Source: World Bank (2020)

Viewed together, the comparison highlights that bankability and execution are mutually reinforcing in PPPs. From a development strategy perspective, improving execution discipline and institutional coordination yields greater gains in PPP outcomes than expanding pipelines or policy reforms alone.

4.4 Closing PPP: Comparative Evidences

Further, evidences on PPP financial closure rates indicates that countries with stronger and more structured project preparation frameworks consistently achieve higher proportions of projects reaching financial close. For example, the Philippines demonstrates the strongest performance, followed by India, South Africa, and Kenya, while Nepal records comparatively lower but improving outcomes. Time-to-financial-closure data further show a clear inverse relationship between institutional maturity and transaction duration, with more advanced PPP regimes achieving faster closures, often supported by centralised advisory capacity and early market engagement. Finally, project preparation intensity emerges as a critical differentiator, as countries with dedicated project preparation facilities and standardised appraisal frameworks consistently outperform those relying on ad hoc or fragmented preparation approaches (World Bank, 2020; ADB, 2019; OECD, 2018).

Table 5: Comparative PPP financial closure rate and time

Country	PPP Financial Closure Rate	Typical Time to Financial Close
Philippines	~70–80%	18–30 months
India	~60–70%	24–36 months
South Africa	~55–65%	30–48 months
Kenya	~50–60%	30–42 months
Nepal	~30–40% (improving)	36–60 months

Source: World Bank (2024)

5. Concluding Remarks

The comparative analysis highlights that PPP performance is shaped less by the ambition of infrastructure programmes and more by how institutions translate policy intent into executable projects. This study demonstrates that effective PPP delivery depends on an integrated ecosystem, combining transparent project pipelines, structured preparation systems, credible institutional mandates, and enabling bankability and execution environments.

The comparative evidence suggests that countries achieving stronger PPP outcomes are those that treat transparency and preparation as strategic investments rather than administrative requirements. Centralised coordination, early-stage project development support, and predictable regulatory environments reduce uncertainty for both public and private stakeholders, increasing the likelihood that projects progress from concept to operation.

For emerging PPP markets, the findings indicate that strengthening preparation capacity and disclosure practices may yield greater returns than expanding pipelines alone. Ultimately, PPP success is less a function of project volume and more a reflection of institutional coherence, execution discipline, and sustained commitment to implementation.

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“STRENGTHENING STARTUP & ENTREPRENEURSHIP ECOSYSTEM”



■ Umesh Kumar Gupta

Executive Director
Industrial Enterprises Development Institute

The Industrial Enterprise Development Institute (IEDI) is an autonomous government body and an ISO 9001:2015 certified institution that has promoted national entrepreneurship since 1996 AD (2053 BS). It maintains a steadfast commitment to quality, standardisation, and excellence in its service delivery. IEDI consistently conducts entrepreneurship development training, business plan preparation, TOT on entrepreneurship, business incubation initiatives, startup bootcamps, and various startup programmes throughout the country.

IEDI's training programmes provide both theoretical knowledge and practical skills through direct industrial collaboration, complemented by several months of post-training follow-up, backstopping, and hand-holding. To assist young people and women in transforming business ideas into viable enterprises, IEDI offers the following services.

- **Startup:** An innovation-based, early-stage business project operated with the objective of rapid growth.
- **Startup Ecosystem:** Closely working with academia, private sector and stakeholders to build and strengthen the startup ecosystem through a number of initiatives.
- **Innovation:** A new idea that delivers

solutions, services, processes, or products that go beyond traditional boundaries.

- **Incubator:** An entity that provides startups with essential training, networks, investment access, mentorship, coaching and advisory support during the initial stage.
- **Venture Capital:** Investment in startup projects that involves high risk but offers high potential returns.
- **Collateral Free Loan for Startups:** Subsidised collateral-free loans provided by the IEDI to promote startup enterprise under access to finance.

IEDI has disbursed collateral-free startup loans of up to NPR 2.5 million to 165 enterprises in FY 2080/81 and 600 enterprises in FY 2081/82 through Rastriya Banijya Bank (RBB). For FY 2082/83, 10,244 proposals were received for a startup loan pool with an allocated budget of NPR 730 million. As reported by RBB, repayments totalling NPR 70 million and 40 lakhs were received from these borrowers by the first quarter of FY 2082/83. IEDI currently operates Business Incubation Centres and facilitates startup-related discussions and orientation programmes across all seven provinces, coordinating with government agencies, academic institutions, and private sector stakeholders.

Through these Business Incubation Centres, IEDI implements entrepreneur-focused projects and promotes public-private partnership initiatives, with ongoing plans to expand incubation operations nationwide. Additionally, IEDI conducts Training of Trainers (TOT) programmes to develop the human resources necessary for implementing entrepreneurship and business development initiatives within rural areas.

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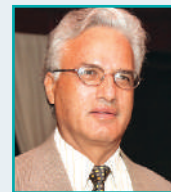
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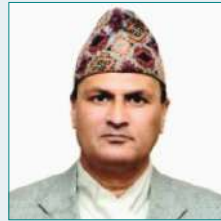
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Executive Member



ANJU MISHRA
Member Secretary

SECRETARIAT STAFF



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Executive Director



ABHINEET DHANADI
Senior Program Officer



RESHMAN MAHARJAN
Admin & Finance Officer



ANITA KUNWAR
Business Development Assistant



BEDHNIDHI DAHAL
Senior Office Assistant

ACTIVITIES FROM FEB 2025 TO FEB 2026



Office bearers and member secretary during the National Management Convention 2025.

MAN President Mohan Raj Ojha and First Vice President Suman Pokharel jointly handing over Manager of the Year Award 2025 to Urmila Shrestha, CEO of Salt Trading Limited amidst the NMC 2025.



A group photo session with Dr. Bimal Koirala, Former Chief Secretary and Former President of MAN, following the presentation of his Lifetime Achievement Award by MAN at NMC 2025.

ACTIVITIES FROM FEB 2025 TO FEB 2026



MAN President Mohan Raj Ojha and Executive Director Anju Mishra paid a courtesy call to the Rt. Hon'ble Chief Justice, Prakash Man Singh Raut, on February 2, 2026.



MAN office bearers with Finance Secretary Ghanshyam Upadhyaya at the Ministry of Finance.



MAN office bearers and members with Minister for Finance Rameshore Prasad Khanal.



MAN office bearers and members with Nepal Rastra Bank Governor Biswo Nath Poudel.

AAMO COUNCIL MEETING



AAMO 2nd Council Meeting and 14th AGM 2025 in Hong Kong.



AAMO 1st Council Meeting in Kathmandu.

PRE-BUDGET DISCUSSION 2025



Glimpses of Pre-Budget Discussion of 2025.



POST-BUDGET DISCUSSION 2025



Highlights from the 2025 Post-Budget Discussion, featuring insights from former finance ministers and renowned economists who graced the event.



MAN -CITIZENS ASPIRING MANAGERS AWARD



MoU signing ceremony between MAN and Citizens Bank International for MAN -Citizens Aspiring Manager's Award.



MONETARY POLICY DISCUSSION 2025



Glimpses of the Pre-Monetary Policy Discussions, featuring NRB Governor Biswo Nath Poudel alongside prominent leaders from private sector umbrella organisations.



MEETING WITH PRESIDENT & VICE PRESIDENT



21st Executive Committee of MAN paid a courtesy visit to Rt. Hon'ble President Ram Chandra Paudel



21st Executive Committee of MAN paid a courtesy visit to Rt. Hon'ble Vice President Ram Sahay Prasad Yadav

AAMO First Council Meeting 2025, Nepal



MDC ORIENTATION 2025



Glimpses of the orientation programme of the Management Development Campus.



AAMO Young Managers' Programme

The week-long AAMO Young Managers' Programme in Macau and Hong Kong during December 2025 provided actionable leadership insights, practical exposure to innovation-driven organisations, and the skills to navigate complex change. This experience has enhanced our readiness to spearhead strategic growth initiatives and deliver impactful leadership across both local and regional contexts.



NATIONAL LEVEL WORKSHOP 2025/26



INTERNATIONAL WORKSHOP 2025/26



Workshop for management professionals held in Sri Lanka in 2025.



Workshop conducted at ICAI Business School (IBS) in Bangalore, India, from November 22–25, 2025.



FRIDAY MANAGEMENT TALK PROGRAM



Friday Management Talk Program

S.N	Date	Title	Key Speakers
1	4th April 2025	National Pride Projects Implementation in Nepal: Challenges and way forward	Dr. Min Bahadur Shrestha, Immediate past VC, National Planning Commission, Mr. Pramod Lamichhane, Board member, FCAN
2	18th April 2025	Strengthening Efficiency of Public Expenditure: Challenges and way forward	Dr. Dilli Raj Khanal, Chairman, Public Expenditure Review Commission
3	16th May 2025	Managing Development Planning: Prospects, Challenges, and Way Forward	Dr. Prakash Kumar Shrestha, Member, National Planning Commission, Dr. Bishnu Dev Pant, Former Executive Director, Institute for Integrated Development Studies
4	6th June 2025	Implementation of Two-Year Cooling-off Period for Ex-Bureaucrats: Prospects, Challenges, and Way Forward	Dr. Bimal Koirala, Former Chief Secretary, Government of Nepal,
5	20th June 2025	Reducing Disaster Risk: Prospects, Challenges and Way Forward	Er. Dinesh Prasad Bhatt, Chief Executive, National Disaster Risk Reduction and Management Authority
6	27th June 2025	Public Policy Formulation: Prospects, Challenges, and Way Forward	Dr. Pradeep Panthi, Research Fellow, Policy Research Institute
7	4th July 2025	Reducing Cybercrime for Organizational Prosperity: Prospects, Challenges and Way Forward	Shree Krishna Bhattarai, PhD, Former Judge, Cyber Law Expert / Advocate
8	01 August 2025	Monetary Policy 2082/83: Prospects, Challenges and Way Forward	Ms. Bhawani Rana, Past President, FNCCI, Mr. Deependra Bahadur Kshetry, Former Governor, Nepal Rastra Bank, Dr. Chandra Mani Adhikari, Economist
9	15 August 2025	Enhancing Revenue Collection and Mobilization: Prospects, Challenges and Way Forward	Mr. Ram Sharan Pudasaini, Executive Director, Nepal Administrative Staff College (NASC), Former Secretary, Ministry of Finance
10	7th November 2025	Managing Governance Reform after Gen Z Movement: Prospects, Challenges and Way Forward	Mr. Rajendra Adhikari Director of Studies & Senior Faculty of Policy and Governance, NASC
11	21st November 2025	Enhancing Organizational Performance through Artificial Intelligence–Driven Practices in Nepal: Prospects, Challenges and Way Forward	Prof. Dr. Suresh Manandhar CEO / Chief Scientist, AI
12	5th December 2025	Enhancing Resilient Foreign Relationship in Present Global Context: Prospects, Challenges and Way-forward	Mr. Ramesh Nath Pandey Former Foreign Minister of Nepal & Doyen of Nepali diplomacy
13	19th December 2025	Fostering a Positive Workplace Culture Through Peace and Humanity: Prospects, Challenges, and the Way Forward	Dr. Prem Raj Dhungel, Senior Faculty, Department of Physics, St. Xavier’s College, Kathmandu Vice President, Premsagar Foundation Nepal
14	2nd January 2026	Enhancing Effectiveness of Upcoming Election in Nepal: Prospects, Challenges, and the Way Forward	Mr. Neel Kantha Uprety Former Chief Election Commissioner, Election Commission of Nepal
15	16th January 2026	Strengthening Ethical Governance: Prospects, Challenges and Way-forward	Mr. Gopi Nath Mainali, Former secretary of Nepal Government

CONSULTATION WITH PAST OBs



Consultation Meeting with past Office Bearers of MAN held on 2nd August 2024 in Hotel Himalaya, Lalitpur

AWARDEE COURTESY MEETING



MAN-KOSHI PROVINCE COMMITTEE



PROF. DR. BIJU KUMAR THAPALIA
President



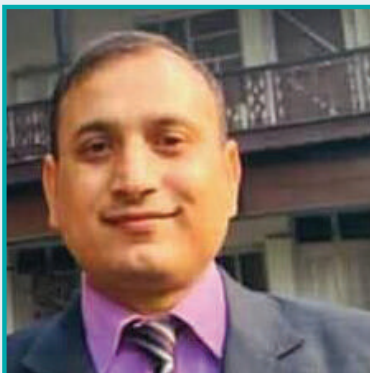
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