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Editorial

KMC Research Journal is a peer reviewed multi-disciplinary journal published by Research Management Cell (RMC) of Koteshwor Multiple Campus, Koteshwor, Kathmandu. It includes research based articles from diverse fields of humanities and social sciences, education, management, and other disciplines. We follow a rigorous double blind review process for selecting the articles to be published in this journal. The accepted articles after double blind reviews are forwarded to the editorial process before they are finalized for publication.

There are eight selected articles from various subjects and disciplines like management, language and literature, art and culture, education and other issues of humanities and social sciences in this volume.

The editorial board of KMC Research Journal is grateful to the Research Management Cell (RMC) of Koteshwor Multiple Campus for publishing this issue on time. We are also thankful to all researchers for their invaluable research work and contribution to this issue by providing their articles for publication. We expect original research based papers for our upcoming issue in the same way. Researchers and academic scholars are encouraged to send their pure research based papers to the editorial board.

Editorial Board

KMC Research Journal

2023

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Influence of Merchandising on Customer Purchasing Behavior in Superstores of Kathmandu Valley

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Abstract

This research examines the influence and relationship of product merchandising elements with consumer buying behavior within superstores. The study investigates five key independent variables: design feature, ambiance, product assortment, brand image, and display, aiming to discern their impact on consumer purchasing decisions. The study employed a causal research design, convenience-based convenience sampling method, and data collected through a structured questionnaire and used rigorous analysis, including correlation and multiple regression models. The findings revealed that design features, ambiance, brand image, and display significantly and positively influence consumer buying behavior, aligning with previous research on the importance of these elements in retail settings. However, a nuanced relationship emerged with product assortment, suggesting that an excessive variety may hinder buying decisions. This study contributes valuable insights for retailers seeking to refine their marketing strategies and create appealing shopping environments in the competitive world of superstores.

Keywords: *Ambience, Brand image, Design feature, Display, Product assortment, Purchasing Behavior, Retail marketing, Superstores*

JEL Codes: *D12, D83, L81, M31, M37*

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Introduction

The purchasing behaviour of customers in superstores is a difficult phenomenon that is impacted by a variety of elements that influence the decisions that customers make. It is essential for organisations and researchers who are interested in gaining insights into the preferences of customers and the dynamics of the retail environment to have a solid understanding of these elements. When this is taken into consideration, the investigation of the purchase patterns that occur in superstores in the Kathmandu Valley becomes especially pertinent, taking into account the one-of-a-kind socioeconomic and cultural backdrop of the region. As was mentioned previously, visual merchandising is an essential component in the process of forming the perception of a superstore (Dahal, 2019; Khadka & Khadka, 2023; Roggeveen et al., 2021). The way in which things are arranged, the structure of the store, and the interactions between employees all have a key role in the overall image. Consumers' decisions to make purchases are frequently impacted by their perceptions of the store's appearance and perceived level of satisfaction.

According to Bhattarai et al.'s research from 2020, the usefulness of this method in influencing the purchasing decisions of clients is yet underexplored, despite the fact that merchants are concentrating on optimizing product assortments. In order to effectively develop assortments, it is essential to have a solid understanding of the tastes of clients in the Kathmandu Valley, who may place a higher value on particular products or categories. According to Dahal (2018) and William et al. (1994), customers at superstores, particularly those in the Kathmandu Valley, value stores that are well-organized, clean, and easy to navigate. Self-service and self-selection that is both effective and efficient are highly valued, and in order to improve the overall shopping experience, businesses need to align their pricing strategies with these preferences. According to Karna et al. (2019), the retail business in the Kathmandu Valley has witnessed tremendous growth, which has been defined by the proliferation of large-scale retail establishments on the market. In order for superstores to successfully adapt and survive in this particular environment, it is vital for them to have a solid understanding of the changing shopping behaviours and preferences of customers.

In today's complex economic climate, household consumption shows the need for retailers and manufacturers to compete for consumers' attention and spending. Retailers must constantly adapt to sales strategies inside and outside their stores to stay competitive. Retailers utilize various tools to attract and engage consumers. These tools include advertising to create demand for products or brands (Erdem et al., 2008; Wansink and Ray, 2000), flyers to increase foot traffic (Gijbrechts et al., 2003; Schmidt and Bjerre, 2003), and price promotions and discounts to encourage

purchases (Blattberg et al., 1995; Gupta, 1988; Inman et al., 1990). However, retailers need to assess the profitability of these tools, as they often involve significant expenses or investments. Advertising, for instance, requires financial investments in magazine space or television and radio airtime.

There are expenses associated with the production and distribution of flyers, regardless of whether or not the producers pay these costs. Price promotions have the potential to reduce the profit margins of retailers, with manufacturers occasionally sharing the cost burden by reducing the costs by which they produce their goods. Merchandising tactics are acts within the shop that are related to product placement to drive acquisitions (Buttle, 1984). Retailers have access to a variety of merchandising strategies in addition to these tools. According to Valenzuela et al. (2013), these strategies are frequently more cost-effective than other tools. This is because merchants can either earn revenue or donations from manufacturers in exchange for favourable in-store placements. Due to the fact that these positions boost the visibility of a product to prospective purchasers, manufacturers are prepared to pay for them (Buttle, 1984; Inman et al., 2009). Studies have shown that a significant number of purchases are made without prior planning (Bezawada et al., 2009; Franjkovic et al., 2022; Ghimire et al., 2021; Stilley et al., 2010). Therefore, it is essential to improve the visibility of products within the store.

Buttle (1984) describes it as any in-store promotion to trigger purchasing behavior and enhance the benefit-cost ratio. In essence, merchandising refers to commercial actions at the point of sale to stimulate customer purchases upon entering the store. Effective product merchandising is critical for overall business success. Scholars and researchers have emphasized that store interior design can maintain consumer interest, reduce psychological defenses, and influence buying decisions. Therefore, this study seeks to answer the question: How much does product merchandising influence consumers' buying decisions in superstores? In the context of superstores in Kathmandu Valley, visual merchandising can be a crucial sales promotion tool, and retailers also pay significant attention to factors such as background music, indoor plants, and in-store fragrances, believing it might impact consumers' buying decisions. However, some consumers may choose superstores based on external factors like parking availability, children's play areas, and location. The next question that needs to be explored is the effectiveness of product merchandising on consumers' buying decisions in superstores in Kathmandu Valley.

The study examines the effectiveness of product merchandising in customer's buying decisions at superstores in Kathmandu Valley. Specifically, the objective is to comprehensively examine the relationship and influence of design features, ambiance,

product assortment, brand image/preference, and display on customers' buying decisions in Kathmandu Valley, Nepal, superstores.

The study advances understanding of how specific elements of visual merchandising influence consumer buying behavior in superstores. The findings contribute to the existing literature by providing actionable insights that can help superstores tailor their strategies to create appealing shopping environments, foster customer loyalty, and enhance sales in a fiercely competitive retail landscape.

Literature Review

In the competitive landscape of superstores, differentiation based on product, price, place, people, and promotion has become a challenging endeavor. Researchers have delved into various aspects of visual merchandising to understand its immediate impact on consumers' purchasing decisions. Color schemes, lighting, and visual display strategies have been explored, revealing their significant influence on consumers' purchase intentions (Babin et al., 2003). Furthermore, studies have investigated diverse factors such as buying committees, relationships with manufacturers, alliances, information utilization, retail buyer tasks, sales staff influences, trade deal acceptance, country of origin effects, and new information technology (Dahal et al., 2022; Hansen & Skytte, 1998). These factors collectively shape the retail environment and consumer behavior. Maier (2009) emphasizes the importance of integrating visual marketing into business plans, focusing on pricing recommendations, store layout, customer response, and merchandising (Ebster and Garaus, 2011). A well-executed visual marketing plan is a catalyst for efficiently establishing a brand image and attracting loyal, long-term customers.

Garvey (2010), as cited in Abad et al. (2018), underscores the significance of visual merchandising in creating desired customer perceptions. Elements like eye-catching displays and careful product placement influence customer decisions, as the store's appearance profoundly affects purchasing choices. Effective visual merchandising aims to educate and engage consumers, utilizing background colors, lighting, artwork, and plant arrangements to create an appealing atmosphere that encourages purchases (Cuong, 2019; Othman, 2021; Sharma et al., 2023). Effective product displays attract customers, promote specific items, announce sales, or mark seasonal changes (Iarocci, 2013). Moreover, music and other atmospheric elements contribute to the in-store experience (Ahmed & Riaz, 2018; Choudhary & Sharma, 2022). According to Santosh and Sharan (2017), visual merchandising is a tool for promoting products through attractive displays to boost sales. It encompasses not only special promotions but the overall presentation of the entire store. Interior design is crucial in creating a memorable and appealing shopping environment. In a rapidly evolving retail landscape, technology has also become intertwined with visual merchandising.

The store environment is vital in shaping consumers' shopping experiences and attitudes. Factors such as appealing decor, music, and maintaining an optimal temperature create a pleasant ambiance (Bielen & Demoulin, 2007; Mattila & Wirtz, 2008). This ambiance enhances the shopping experience and differentiates retailers in shoppers' minds (Sweeney & Wyber, 2002). Consequently, ambiance and entertainment are significant factors that influence shoppers' attitudes (Balaji & Maheswari, 2021). The Indian retail industry is profoundly transformed by changing consumer behaviors. Indian consumers are increasingly favoring supermarkets over traditional Kirana shops due to the varied store attributes offered by organized supermarkets (Goswami & Mishra, 2009). Iberahimet al. (2020) highlighted a significant positive relationship between customers' impulse buying behaviors and various visual merchandising elements, including window displays, mannequin displays, floor displays, and promotional signage.

Visual merchandising is a pivotal component of a strategic marketing plan, contributing to increased sales and a positive retailer image in the context of fashion clothing stores. Based on store attributes, store image is crucial in shoppers' store selection decisions (Behera et al., 2023). Researchers have explored various store attributes and dimensions from the shoppers' perspective to enhance the store environment and overall store image (Banerjee et al., 2016; Barich & Srinivasan, 1993; Hopkins & Alford, 2001; Saraswat et al., 2010). Shoppers evaluate stores based on these attributes, which contribute to their cognitive store image and influence their store choices (Kumar & Kim, 2014; Li et al., 2023; Pickering & Norberg, 2023; Sinha & Banerjee 2004; Thang & Tan, 2003).

Previous research evidence underscores the multifaceted nature of visual merchandising, which encompasses various elements like color, lighting, layout, and environmental factors. These factors are pivotal in influencing consumer behavior, ultimately impacting purchase decisions in the retail sector. The dynamic interplay of these variables highlights the importance of continuous adaptation and innovation in visual merchandising practices. The store environment, including ambiance, visual merchandising, and store attributes, profoundly impacts consumers' attitudes and behaviors in the ever-evolving retailing industry. Understanding these dynamics is crucial for retailers aiming to create a compelling shopping experience and establish a distinctive store image in the minds of consumers. With an evident foundation, the study used independent variables to encompass critical aspects of product merchandising, including store design features, ambiance, product placement and variety, brand perception, and display. Meanwhile, the dependent variables revolve around how customers perceive these elements of product merchandising.

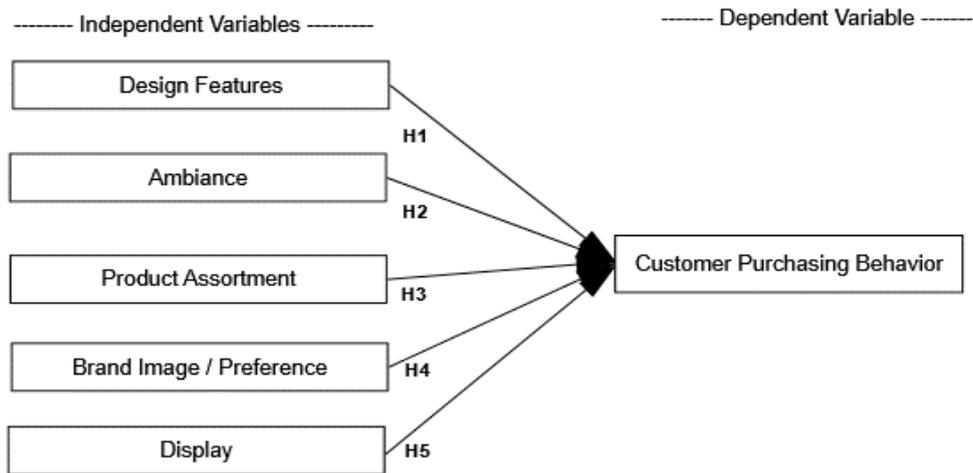


Figure 1 Conceptual Framework

The main hypothesis considered in this study includes:

- H1: Design features have a positive or negative impact on customer's purchasing behavior.
- H2: Proper Ambience has a positive or negative impact on customer's purchasing behavior.
- H3: Product positioning has a positive or negative impact on customer's purchasing behavior.
- H4: Brand image has a positive or negative impact on customer's purchasing behavior.
- H5: Display of the product has a positive or negative impact on customer's purchasing behavior.

Methodology

The study used causal research design in hypotheses by stating an independent and dependent variable to determine the merchandise design, ambience, product positioning, brand image, and display on customers' purchasing behavior. The data collected for the research analysis were quantitative, primary, and descriptive.

Customers of the superstore were selected from the different outlets of the superstores of Kathmandu Valley. There is no uncertainty about whether a particular unit belongs to the population because the population is unknown. In this case, the population of this study consists of people who visit supermarkets to purchase all kinds of available products. Shopping customers at six leading superstores of the Kathmandu Valley were intercepted and surveyed on the spot after their shopping. This study surveyed six superstore customers from Kalanki, Sitapaila, Jhamsikhel, Naxal, Lazimpat, and Balaju.

As the population is unknown, $p=0.5$ is used. The confidence level is 95%, and

the tolerated margin of error is 5%. The required number of sample sizes becomes approximately 399.

Taking the accessibility and willingness of the customers to respond to this study into account, a convenience-based convenience sampling method was used to draw the sampling units. The customers of superstores are the primary unit of study. These consumers were male and female with diverse ages, socio-cultural backgrounds, varying income levels, and employed or unemployed status. These people currently reside in the Kathmandu Valley and have visited the store at least once. Primary data were collected through a questionnaire survey consisting of a Likert scale (1-5; 1=strongly disagree, to 5= strongly agree) method questions and other close-ended questions. Every four statements for design features, ambiance, product assortment, brand image, and display, and five statements for the dependent variable customer purchasing behavior, a total of 25 items were used in the study questionnaire. Correlation, regression, and Cronbach's Alpha (validity and reliability) analysis were performed using SPSS 26.

Demographic Profile

Among the 399 responses collected during the research, the table below summarizes the respondents' demographic data.

Table 1
Respondents' Profile

Groups	No. of Respondents	Percent (%)
Age		
Below 18	4	1.0
19-26	146	36.6
27-34	180	45.1
35-42	69	17.3
Total	399	100.00
Gender		
Male	199	49.9
Female	200	50.1
Total	399	100.00
Marital Status		
Single	210	52.6
Married	189	46.9
Total	399	100.00

Education		
S.L.C	15	3.8
Intermediate (+2)	58	14.5
Diploma	52	13.0
Bachelors	185	46.4
Masters	89	22.3
Total	399	100.00

Table 1 presents a comprehensive overview of the demographic characteristics of the survey respondents. Regarding age distribution, the majority falls within the age groups of 19-26 and 27-34, constituting 36.6% and 45.1% of the total respondents, respectively. A smaller portion of respondents is below 18 years old (1.0%) or falls into the 35-42 age bracket (17.3%). The gender distribution is almost evenly split, with 49.9% male and 50.1% female. Regarding marital status, a significant proportion of respondents are single (52.6%), while a substantial portion is married (46.9%). Regarding educational backgrounds, most respondents hold at least a Bachelor's degree (46.4%), with significant representations from Intermediate (+2) and Master's degree holders at 14.5% and 22.3%, respectively. In comparison, smaller percentages have completed S.L.C (3.8%) or hold a diploma (13.0%). This demographic profile provides valuable insights into the composition of the survey respondents, enabling a better understanding of the sample group.

Reliability Test

In this study, the reliability of the measurement instrument was checked through the calculation of Cronbach's Alpha.

Table 2
Reliability Test

Statement	Number of Items	Cronbach Alpha
Design features	4	.798
Ambience	4	.782
Product Assortment	4	.826
Brand Image	4	.820
Display	4	.776
Customer Purchasing Behavior	5	.814

Table 2 presents reliability test results for various scales used in the study. Cronbach's Alpha was used to assess internal consistency. The findings indicate strong internal consistency among the items within each scale, with Cronbach's Alpha values ranging from .776 to .826. This suggests that the items effectively measure the intended constructs (Taber, 2018), enhancing measurement validity.

Presentation and Analysis

This section is structured into two distinct parts; the first presents correlation analysis results, and the second delves into exploring regression models.

Correlation Results

Pearson Correlation Coefficient shows the relationship between variables, their direction, strength, and significance. The significant correlation coefficients between the variables are summarized in the following table.

Table 3
Correlation Result

	Design Feature	Ambience	Product Assortment	Brand Image	Display	Consumer Buying Behavior
Consumer Buying Behavior	.689**	.668**	.602**	.659**	.660**	1

** . Correlation is significant at the 0.01 level (2-tailed).

Table 3 shows varying degrees of correlation between Consumer Buying Behavior and the other examined variables. Notably, consumer buying behavior exhibits positive correlations with design features, ambience, brand image, display, and product assortment with correlation coefficients ranging from 0.689, 0.668, 0.659, 0.660, to 0.602 respectively. These high correlations signify that these factors wield significant influence over consumer purchasing behavior in superstores, making them crucial focal points for enhancing shopping experiences and driving sales. While product assortment exhibits a slightly lower but still strong positive correlation of 0.602, it remains an essential factor. This underscores the importance of offering diverse products to attract and cater to consumer preferences. These correlation findings provide valuable insights for superstores seeking to tailor their strategies to create appealing shopping environments and foster consumer loyalty, ultimately boosting sales and competitiveness.

Multiple Regression Analysis

This section explores various factors' combined impact on superstores' consumer buying behavior.

Table 4
Regression Result

Factors	Beta	t	Sig.
(Constant)	1.518	12.280	.000
Design Feature	.261	5.676	.000
Ambience	.119	2.112	.003
Product Assortment	-.066	-1.285	.009
Brand Image	.162	3.318	.001
Display	.141	2.750	.006
R= .74	R Square = .55	F Value= 98.31	.000

a. Dependent Variable: Consumer Buying Behavior

Table 4 shows the positive standardized coefficients for a design feature, ambience, brand image, and display, signifying that enhancing these elements within superstores can increase consumer buying behavior. A well-designed store layout, a pleasant ambience, a strong brand image, and effective product displays all contribute to a more favorable shopping experience, ultimately influencing consumers to purchase. These results emphasize the importance of investing in store aesthetics and branding strategies to engage customers and boost sales. A negative standardized coefficient for Product Assortment suggests that an increase in the variety of products available may lead to a decrease in consumer buying behavior. This counterintuitive finding highlights the need for a balanced, curated product assortment that aligns with consumer preferences. Retailers should avoid overwhelming customers with an excessive array of choices, focusing instead on offering a well-considered selection of products. The model's statistical significance and the high R-squared value indicate that these factors can explain a substantial portion of consumer buying behavior. Retailers can leverage these insights to refine their marketing strategies, creating store environments that resonate with customers, enhance their shopping experiences, and drive sales in an increasingly competitive market.

Discussions

The study's findings align with prior research in visual merchandising and consumer behavior within superstores. Notably, design features, ambience, brand image, and product displays exhibit strong positive correlations with consumer buying behavior, consistent with previous literature (Babin et al., 2003; Dahal, 2021; Garvey, 2010; Ghimire et al., 2022). These factors are critical for shaping consumer purchasing decisions and enhancing the shopping experience (Cuong, 2019; Othman, 2021). While conventional wisdom has often emphasized offering a wide range of products to attract customers (Goswami & Mishra, 2009), this study suggests that overwhelming consumers with excessive choices

may lead to reduced buying behavior. This finding underscores the importance of curating and balancing product assortments based on consumer preferences (Behera et al., 2023). The study's robust statistical model, indicated by the high R-squared value and statistical significance, reinforces the practical relevance of these findings for superstores seeking to refine their marketing strategies. By focusing on design features, ambiance, brand image, and product displays while carefully managing product assortment, retailers can create store environments that resonate with consumers, increasing sales and heightened competitiveness (Maier, 2009; Santosh & Sharan, 2017). Findings advance our understanding of how specific elements of visual merchandising influence consumer buying behavior in superstores. The study contributes to the existing literature by providing actionable insights to help superstores tailor their strategies to create appealing shopping environments, foster customer loyalty, and enhance sales in a fiercely competitive retail landscape.

Conclusion

This study represents a comprehensive exploration of consumer behavior within superstores, shedding light on the influential factors that drive purchasing decisions. The findings underscore the significance of design features, ambiance, brand image, and display, which strongly influence consumer buying behavior. Retailers can leverage these insights by investing in store aesthetics, creating inviting environments, strengthening their brand image, and optimizing product displays to enhance the shopping experience and boost sales. Additionally, the study reveals a nuanced relationship with product assortment, emphasizing the need for a balanced and curated selection to align with consumer preferences. The statistical significance of the model and the substantial portion of variation explained (approximately 55%) highlight the robustness of the analysis. In an increasingly competitive retail landscape, these findings serve as a valuable guide for retailers aiming to effectively tailor their marketing strategies to meet evolving consumer needs and preferences.

Limitation and Future Scope

The findings of this study may not be generalizable to a more varied or global context due to many constraints. Larger and more geographically diversified samples should be used in future research to improve external validity. Second, the study uses survey data, which might be biased by social desirability and recollection bias. Due to the rise of digital commerce, superstore consumer behavior should be examined through website design and user experience. Researchers can improve consumer behavior understanding in the changing retail ecosystem by using advanced research methods and addressing these problems.

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Role of Primary Stakeholders in Needs Assessment for Local Development Planning

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Abstract

The involvement of primary stakeholders in needs assessment becomes not only necessary but strategically imperative. This paper aims to conceptualize the role of primary stakeholders in needs assessment regarding local development planning context. The roles of primary stakeholders in local development planning are subjective and can trace out by interpretative way considering the constructivist standpoint. Methodologically, this paper adopted a descriptive content analysis approach using secondary sources. Prior studies argued different views on the role of primary stakeholders in needs assessment. As a participatory tool, it is remarkable to note that primary stakeholders' involvement in needs assessment, prioritize needs, aid in decision-making, resource allocation, and implementation. Primary stakeholder's involvement in planning and decision-making is challenged by poor communication, ignorance of planning importance, political interference, weak accountability, and bureaucratic dominance. However, the result indicates that the degree of stakeholders' involvement in local development planning and more specifically defining the felt needs within the community is a yardstick and provide a new turning point for further planning and development effort. It helps to reduce the unnecessary cost of the plan and develop proper coordination, collaboration, and consultation in the needs identification process. Stakeholders create a clear road map for sustainable and inclusive planning. Community people are active change agents and can define real development priorities through the assessment process. However, this paper is limited in subjective analysis and only the primary stakeholder's role in needs using limited sources.

Keywords: *primary stakeholders, needs identification, needs assessment, local development planning, community*

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Introduction

The gap between what is and what ought to be in future reveals needs. It can be defined as an individual's to the entire community's demand to meet their aspiration and desires. The difference between present condition and future demand to balance between today and tomorrow indicate local needs. For this, an intensive methods and procedure should follow as per the principle of participatory development. Ideally, needs assessments is made to gather facts by mobilizing and engaging primary stakeholders for whom planning and development intervention is introduced. People, groups, or organizations actively involved in a project selection are affected by its outcome simply taken as a primary stakeholders (Azizu, 2014; Elliott & Gibson, 2023). Generally, stakeholders are defined as community people, groups, organizations, and business houses that have direct concern for community development and planning efforts. A stakeholder is either an individual, group or organization who is impacted by the outcome of a plan or project. They have an interest in the success of the plan and can be within or outside the community. Stakeholders can have a positive or negative influence on the local development plan.

Needs assessment is a systematic process used by development stakeholders to identify and address local level challenges, enhancing the effectiveness of planning and investments (Cuiccio & Husby-Slater, 2018). Needs are guiding forces for planning initiatives. Planning efforts must address the local needs. Interpreting, analyzing, and appraising the needs and demands as per the priority order with a comprehensive investigation of resources, time, budget, and financial sources are the parts of the assessment. This paper defined primary stakeholder as an individual or group affected by local development annual plan at local level in Nepal. Thus, needs assessment helps in planning practice. However, before assessing the needs, it is necessary to define the actual beneficiaries of the plan, called primary stakeholders, who are the partners of the participatory planning practice and are involved in the consultation process. Needs assessment is a participatory tool to explore and prioritize the felt needs at the community level; guided by the tenets of the bottom-up planning model. It serves as a medium for decision-making, resource allocation, and achieving the expected outcomes. The needs assessment is intended to contribute to the capacity development of local government and its organs (Center for Training and Consultancy {CTC}, 2019). Needs assessment concerning participatory local development plan help to declare future direction, scope, scale, and timing to achieve the objectives (Sports and Recreation Department of Western Australia, 2007). In this process, concerned stakeholders' ideas must be included, otherwise, the needs assessment process does not address the plan and people's felt needs.

Rural areas in developed societies are characterized by a comprehensive network of socio-economic, political, and technical forces. However, some technical obstacles are governed

over the rural societies. To mitigate such obstacles while defining the felt needs, their assessment, and prioritizing as per the community demand, primary stakeholders' ideas, experiences, and knowledge become vital sources that can be organized through participatory consultation. Against this backdrop, the bottom-up planning model considers a successful ladder that assures the problem-solving strategy through stakeholders' contribution from within the community (Sisto et al., 2018). Local development planning collaboration requires multiple stakeholders' involvement while screening the needs. Local community people, today, realize a series of needs associated with the planning process. However, still centralized mindset is experienced, even if, democratic system being practiced (Telleria, 2021). The study of Owino, (2022) in Kisumu Country of Kenya has critically argued stakeholders remain only tokenistic and negligible in local level planning process. Several studies focused on the participation of key stakeholders in the implementation, monitoring and evaluation of project and program (Obadire et al., 2013; Sulemana et al., 2018). However, various groups of primary stakeholders, with different aspirations, socio-economic status, and levels of participation are difficult to manage (Kuźniarska et al., 2023). Nevertheless, successful local development planning with primary stakeholders and their involvement in defining actual needs and interpretation is not just necessary but strategically imperative. Primary stakeholders have no proper knowledge and procedures about the local development planning and to achieve meaningful participation. Therefore, understanding the knowledge owned by the primary stakeholders, providing a platform to integrate their knowledge in in the planning process, especially, in needs assessment become viable solution to current gap between theory and practice (Akbar et al., 2020).

Primary stakeholders have power to identify and assess to determine whether a plan or project succeeds or not. Thus, community stakeholders are the partners in a flourishing planning process, more specifically, needs analysis, assets analysis, and priority setting (Nonet et al., 2022). In addition, Kuźniarska et al.(2023) suggested that primary stakeholders play a crucial role in local development planning, as they both influence and are influenced by its actions and decisions. A stakeholder analysis is commonly used during the needs identification phase to assess stakeholder attitudes toward potential changes. Stakeholders are usually heterogeneous entities having multiple ideas, knowledge, skills, and experiences (Sisto et al., 2018). Incorporating the stakeholder's role while defining, assessing, analyzing, and screening the projects for local development plans indicates the community participation and use of local knowledge. Primary stakeholders and their role in the needs assessment process concerning local development planning are getting top priority in recent planning practice. Those individuals and groups who are ultimately affected by activity, either as beneficiaries (positively impacted) or those adversely impacted primary stakeholders.

To achieve the expected outcomes of local development planning, primary, secondary, and key stakeholders' collaborative efforts are essential, and each stakeholder can assess and identify the felt needs, opportunities, resources, possibilities, and challenges of local development planning. Stakeholders are included when necessary, but not when it's impractical, unnecessary, or imprudent, deciding to include them is challenging (Bryson & Quinn Patton, 2015). Planning targets and objectives that require more effort (Morita et al., 2020). Local development planning is a practice in which primary stakeholders, for instance, community people, Mothers' Groups, Youth clubs, Child Clubs, and traditional community-based organizations (CBOs) are considered as planning partners and actual service receivers and affected by the planning outputs in the Nepali context. Planning is for their well-being through their participation. Primary stakeholders have depth ideas, knowledge, and experiences about the existing strengths, weaknesses, opportunities, and threats (SWOT) of the local community. A participatory approach to local development planning is emerging globally. This approach allows for either bottom-up practice, in which primary stakeholders are involved in defining, assessing, and prioritizing the needs (Obadire et al., 2013) that are incorporated in the planning domain. The primary stakeholder consultation is a vital process for local development planning practice that affects their interests and needs.

Local development planning is for the people of the people and by the people. It is the bottom-up planning exercise and model that assures compulsory engagement of concerned stakeholders. Considering individuals, groups, and organizations as stakeholders, Bryson & Quinn Patton (2015) studied on program evaluation process and its achievements. The primary stakeholders should engage in consultation, needs assessment, resource allocation (Ogunnubi, 2022) visioning, and prioritizing the needs. In contrast, if it is not properly done, finally entire planning process is deviated by political pressures, personal bias, and spatial unbalanced (Owino, 2022). Likewise, primary stakeholders' participation is important and valuable to the success or failure (Obadire et al., 2013) of the needs assessment process in local development planning at the local level. In practice, different models of participation have been applied to explore the needs of locals including citizen panels, planning cells, public debate, ward meetings, council meetings, and executive meetings that could promote meaningful participation in decision-making process. In contrast, Azizu (2014) has stated that poor communication, ignorance of the importance of planning, political interference, weak accountability, and excessively dominated role of bureaucracy are the vital constraint factors for stakeholder involvement in the planning and decision-making process. The study of Boaz et al. (2018) stakeholder engagement activity within research works, and in monitoring and evaluating stakeholder engagement. Similarly, Sisto et al.(2018) argued participatory approach is helpful to local stakeholders and decision-makers in identifying the steps to give a clear direction to local development planning.

Kusters et al.(2018) analyzed the participatory method to aid the planning, monitoring, and evaluation of multi-stakeholder platforms in Ghana and Indonesia focusing on integrated landscape initiatives. The study conducted by Sulemana et al. (2018) in Ghana concludes that community-level primary stakeholders' involvement in the monitoring and evaluation of projects and programs is very rare and low. Sibanda & Lues, (2021) suggested that primary stakeholders expressed their dissatisfaction concerning participation platforms and spaces in influencing strategic planning outcomes in urban areas.

Against this backdrop, the role of stakeholders in needs assessment regarding local development planning can bring multiple changes. Thus, throughout the needs assessment process, primary stakeholders' involvement assures more opportunities for consultation and start-up to set the mechanism to support other stakeholders' participation at the local level. Prior studies focused on project monitoring and evaluation rather than assessing the felt needs as a project used in local development planning. Thus, this paper focused on the primary stakeholder's role in needs assessment in local development planning practice in local government. Meanwhile, this paper mainly focused on the conceptualization of the stakeholder's role in the needs assessment process regarding local development planning followed by the existing literature. What are the key contributions of primary stakeholders in needs assessment in local development planning? This is the focus research question of this paper and aims to conceptualize the role of primary stakeholders in needs assessment in local development planning. Despite the series of implications, this paper has delimited as just role of primary stakeholder's role reviewing the limited scientific papers.

Theoretical Foundation: Stakeholder Framework

In 1963, the term 'stakeholder' was used for the first time in an internal memorandum at the Stanford Research Institute [SRI}(Kuźniarska et al., 2023). Likewise, Freeman (1984) defined the term 'stakeholder' as a strategic management (Nonet et al., 2022). In the late 1970s and early 1980s, scholars and practitioners were used stakeholder theory as a management theory to address issues of uncertainty in organization. Stakeholder theory is viewed as a management genre, encompassing a wide range of uses and purposes, despite being common and diverse enough to function in various settings (Parmar et al., 2010). The proponents of the theory argued stakeholders can create value in an organization and development project (Freeman et al., 1984). Stakeholder theory is a strategic management theory that incorporates moral content, although it is not necessarily moral or immoral. The theory emphasizes the importance of considering the interests and well-being of ordinary people who can either support or hinder the achievement of the organization's objectives. The stakeholder theory is applied across various disciplines. The stakeholder thinking has practiced as a new narrative

to understand the existing issues and problems in organization intended to achieve predesign goals and objectives (Parmar et al., 2010). The stakeholder perspective offers a different perspective on how companies and individuals create value and engage in planning, decision making and business (Barney & Harrison, 2018). Convergent stakeholder theory argues that concerned stakeholders become at a point while discussing common issues and agendas with references to organizational development (Andrew L. Ffriedmand & Miles, 2002). Stakeholder management is a managerial tool and planning framework in which stakeholders become aware to create value. The central argument of this theory is local community always be serious about identifying the felt needs, and allocation of resources, and local organizations and governments should develop their personal and institutional capacity to address the risks. All change is often possible from within and primary stakeholders have capacity to define, explore, and prioritize the felt needs, issues, and challenge alongside they provide problem solving strategy. Local development planning starts via defining and reflecting the the existing situation: where the community now stand. Thus, stakeholder theory has considered as a milestone pivot while exploring the community needs form within.

Method and Materials

Methodologically, this paper adopted a descriptive content analysis approach. Philosophically, needs assessment patterns are contextual, and relative, thus, assumes realities are subjective (ontology) and knowledge can be trace out by interpretative way (epistemology), considering the constructivist perspective. The data are coined by using secondary sources such as journal articles, books, and reports. The Google Scholar, Library Genesis, Scopus, and Research 4 Life databases were used to collect the secondary sources. The abstracts of the articles, summaries of the reports, and books were extensively reviewed for conceptualizing the notion of primary stakeholders and their role in needs assessment regarding local development planning context. Rigorous debate and discussion were interfaced to the conclusion.

Results

Role of Primary Stakeholders in Needs Assessment

Stakeholder holds different meaning under different context, culture, and content. This paper examines the role of primary stakeholders in needs assessment in the local development planning context at the community level (Azizu, 2014). A community is a group of people who are residing in a particular territory and have common goals and we- feelings. The community is itself rich in local knowledge, ideas, and experiences and able to provide authentic data which are essential to develop the local development planning. Planning is

a conscious, organized, and rational decision-making process to achieve expected goals. Likewise, every community has its own needs and assets, as well as its own culture and social structure, strengths, and power. Thus, the primary stakeholder's assessment concerning needs identification helps to understand how to address the community's needs and utilize its resources in a planned effort. Local development planning has constantly been determined by the willingness to ensure a strategically and locally organized discipline (Dizon et al., 2021). The involvement of primary stakeholders surely helps to make conducive decision and set justifiable priorities, resource allocation, project selection, and system reform. An assessment conducted with the participation of primary stakeholders at the community level to identify and determine the factual needs and priorities, and their interpretation within the community is not just necessary but strategically valuable that shapes the planning success. Primary stakeholders can participate in project selection and need analysis in multiple ways, for example, by attaining public meetings, and workshops, establishing partnerships, providing meeting space, and information, and sharing ideas, and local knowledge in the local development planning process at the community level (DeMarco et al., 2015). Further, it helps to understand community dynamics that are the important backdrop for local development plan.

Needs assessment is a systematic examination process used to identify and analyze the grounded needs whereby a program or project will determine for local development planning. If it is done involvement of primary stakeholders then no doubt original felt needs will get priority. Consequently, planning efficiency will take place and investment lead to better outcomes in the future (Cuiccio & Husby-Slater, 2018). The role of primary stakeholders can provide valuable insights in defining, examining and evaluating the felt needs, interest and risks while setting the vision, mission and goals of local development plan. Also provide concise and authentic information to the planners and way forward for executive techniques taking the sense of accountability.

Local development planning (LDP) is a visioning process within the scarce resources. Planning and development are highly interconnecting constructs. For this, an effective needs assessment helps primary stakeholders and planning authorities how the socio-economic issues interact. People's needs are the foundation of any plan, and local government must involve local people, experts, and the private sector to collect actual problems from the community (Sapkota & Adhikaree, 2023). The aim of needs assessment is to explore, realize, identify, and prioritize the community-felt needs which are strategically imperatives and need to be addressed in planning intervention (Cuiccio & Husby-Slater, 2018). Identifying priority needs is the first and foremost step in the planning cycle. Planning is a sequential process and the involvement of primary stakeholders in needs

assessment can contribute to articulating the areas of need, selecting evidence-based strategies, and developing plan (Sapkota & Malakar, 2021) in a participatory way. The contribution of primary stakeholders not just in needs assessment but crucially in response to steps of local development planning becomes imperative (see Figure 1).

Figure 1

Contribution Areas of Primary Stakeholders in Local Development Planning Sequence

Define	<ul style="list-style-type: none"> • Where we are now: the present status.
Dream	<ul style="list-style-type: none"> • Where we go in future: the expected result.
Develop	<ul style="list-style-type: none"> • Set the vision, mission, goals and objectives (VMGOs).
Design	<ul style="list-style-type: none"> • Institutions and process.
Plan	<ul style="list-style-type: none"> • Resource, time, effort, and tools.

Source: Sapkota & Malakar, 2021

The sequential process provides the basis on which the present status of the community is defined. Further, the assessment process frames the dream of where to go in the future: the destination. Thus, the needs assessment process involves a logical accumulation of facts in terms of the community's expressed needs and helps to set VMGOs.

The sustainable development goals (SDGs) assume global cross-sector partnership and multi-stakeholder engagement for sustainability and its localization (Nonet et al., 2022). Localization of SDGs should be a bottom-up approach, involving local stakeholders in significant initiatives, resulting in results-oriented policies that significantly impact individual, family, community, and vulnerable groups' living standards (Turashvili, & Nikuradze, 2019). Needs assessment with primary stakeholders creates a clear road-map for sustainable planning and becomes more participatory while addressing the local needs, global challenges (Nonet et al., 2022) and social inclusion in practices from sustainable development perspective. The analysis of primary stakeholders and their contribution to local development planning create a more conducive environment to support the effort of all stakeholders by making them a partner in the plan. The bottom-up participation action analyzes the vision of people. The involvement of primary stakeholders in the needs

assessment process gives ample opportunity to all individuals and groups to express their ideas/issues/concerns over the projects or activities that are incorporated in the planning document. Finally, all stakeholders can have a higher degree of access to the decision-making process of development and planning which directly affects to their personal and communal life. Genuinely, they share ideas and interests representing the different cultural and contextual factors having several issues (Bryson & Quinn Patton, 2015). In addition, Stakeholders' involvement in the needs assessment and decision-making process can lead to value creation and positive outcomes in a development effort. Similarly, Vukonjanski (2020) opined planning has a gregarious and leading role in local economic development and requires substantial engagement of primary stakeholders who belong to the local community and have directly benefited from the planning effort. In addition, Semeraro et al. (2020) reveal, that primary stakeholder's participation in local development planning as a bottom-up model is not just a tool to obtain maximum consensus, but strategically a moment to address social issues in planning. The involvement of primary stakeholders in the needs assessment of the development plan and project is important (DeMarco & Segraves, 2015) which draws a clear community picture for the future roadmap.

Discussion

The aim of this paper is to describe the role of primary stakeholders in needs assessment in local development planning practice. Community people provide problem solving strategy for local development planning. This study findings are consistent with the other several studies (DeMarco & Segraves, 2015; Tablatin et al., 2023; Semeraro et al., 2020) and conclude primary stakeholder's participation draws a clear community picture for the future roadmap and helps to prioritize the most important needs of community. Likewise, planners can get accurate information and helps to priority the most important needs of community. In contrast, the findings of this study are inconsistent with others (CTC, 2019; Sulemana et al., 2018) and they argued that primary stakeholders have no direct access to involvement in it and relatively limited knowledge about needs assessment. The needs assessment significantly enhanced collaboration, trust, and increased participation of primary stakeholders at various levels (Henrikson & Bishop, 2023). Even though, role and engagement of primary stakeholders in needs assessment is indivisible while developing the local development planning. 'Community forestry' in Nepal and 'Saemaul Undong' in Republic of South Korea are best cited of participatory development models. Needs identification, analysis, and listing into priority order under the notion of planning concept is a technical job. However, community people are active change agents and can define real development priorities through the assessment process (Abuiyada, 2018). In the needs assessment process, primary stakeholders are able to identify their actual needs, goals, and the way forward for the optimal allocation of available limited resources (Nyama & Mukwada, 2022). As a result, it involves planning out possible solutions while keeping priorities, resources, time, and accountability in mind.

Conclusion

This paper aims to describe the role of primary stakeholders in needs assessment. The assessment process provides ample opportunities for those who are living below the poverty line to participate and share their ideas, knowledge, and needs in local development plans. Community needs assessments are not just important to the people but rigorously imperative to planners to collect accurate information which further helps to priority the most important needs of community. Further, it helps to reduce the unnecessary cost of the plan and substantially helps to conduct proper coordination, collaboration, and consultation in the process of local development planning especially defining the felt needs. In local development planning, it's crucial to consider the interests, preferences, problems, and targets of various stakeholders, acknowledging their role in the structural transformation of the local economic system. Using the ideas and knowledge of primary stakeholders in the process is almost as important as the outcomes of the plan. Thus, stakeholder consultation is not just necessary but strategically imperative and an integral part of the needs assessment process. However, needs assessment will not guarantee a successful implementation, even if, it is an indivisible part of the planning process. For more detail, it is recommended for future research to conduct a comprehensive study of secondary and key stakeholders' roles in the local development plan.

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The Use of Middle Voice in Narrativizing Trauma in Bimal's "The Lankuri Will Blossom Again"

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Abstract

This article analyzes Rajendra Bimal's "The Lankuri Tree Will Blossom Again", a story written on the background of the ten-year-long Maoist insurgency in relation to trauma theory, especially Dominick LaCapra's concept of middle voice which elucidates the neutrality in narrativization of any traumatic past. The article tries to find out how the narrator while presenting his or her traumatic testimony about a horrible event narrates it - objectively elucidating all the incidents neutrally as a neutral observer of the event not aligning with any fighting groups which would subsequently help both groups to accept the testimony as their own and realize their past agony and purgate their foes. If the testimony of historical events is narrated idealizing one and demonizing another group, it, later on, cannot be accepted as an authentic one and the condition of the victims of the events would be more aggravated as it cannot appease their tension. The testimony of the ten-year-long insurgency by any neutral observer can help many people narrativize their experience in the written form.

Keywords: horrible past, narrativization, neutrality, testimony, peace

Introduction

This article presents a testimony of one family that was very happy and united to each other before the Maoist insurgency was at its peak and common people's life was perilous, but when it took its form in the paramount, all the members were disintegrated. It presents this family's painful traumatic condition by applying trauma theory propagated by some notable trauma theorists like Cathy Caruth and Dominick Lacapra. It is the testimony of a neutral observer who has narrativized a family's painful condition at the time of the Maoist insurgency when a mother could become ready to sell her loving daughter to an unknown stranger thinking that her daughter would remain alive somewhere. This story is extracted from *The Stories of War and Conflict* edited by Govind Raj Bhattarai which consists of stories written by various Nepali writers on People's War (1996 -2006). It is a representative testimony of all Nepali families during the ten-year long insurgency when each one would talk of terror and its extension to all the civilians in several parts of the nation and reveal "such condition[s] – grief and pain, fear and terror, and scenes of deaths. The psychological horror and trauma that millions of people underwent is the greatest of

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all shocks, unforgettable in their memory” (Bhattarai, 2007, p.8). Most of the people were badly impacted by the consequences of the conflict and even could not talk about it to any one whom they didn’t know because they no longer felt safety, justice, order and peace in their lives. It was only terror and trauma that some Nepali writers have tried to narrativize in the form of stories.

This insurgency could become a good means of bringing afore in the narratives, most of which are autobiographical in intention. Narayan Subedi, Ganga Bahadur Lama, Nabin Jirel, and Sarita Rai are some who were either involved in the conflict or deeply felt about its perilous path. The experience of violence can have different aspects and violence at the height of the crisis becomes the subject, the object, and the instrument and purpose of the action (Das and Nandi, 1985, p. 187). At the same time, there would be some stories which could not give voice of signification and “remain inauthentic, because they tried to reduce the violence to the language of feud in which violence from one side was equally balanced with violence from the other” (p.189). Hence, a portrayal of the full scale of violence could not be a matter of symbolically balancing the scales of violence.

Trauma and Middle Voice

There has not been dearth of criticism written on the themes of armed conflict and its aftermath. The experience may be felt by those who are victimized and those who are the victimizers. But only those who are the victims of the conflict have the traumatic experience. In her introductory essay to *Trauma: Explorations in Memory*, Caruth shows that the onset of traumatic pathology (post-traumatic stress disorder or PTSD, “a response to an event outside the range of usual human experience” (Caruth, 1995, p.3)) which cannot be fully determined by given traumatic events which consist of “not only both human and natural catastrophes but also rape, child abuse and a number of other violent occurrences” (p.3). The converting trauma into narrative can help the story to be verbalized and communicated, “to be integrated into one’s own and others’ knowledge of the past” (p.153). It should accept the pain that has affected the victims. Then, he or she can feel relief. For Caruth it is literature as testimony which is one of the ways to tell one another about aspects of traumatic experience that cannot be contained by ordinary modes of expression and that may even exceed human understanding. Sharing and unfolding the knots about past traumatic experiences can have some soothing features in reconciling the warring sides and coming into meeting points, so that both sides can live together. Stampfl (2014) shows the status of trauma in literary works and the abductive process of thought to understand traumatic experiences in semiotic terms. In his “Parsing the Unspeakable in the Context of Trauma”, he has presented the situation of unspeakable as “the explicit admission of the inadequacy of language in a given case” (p.15). There would be many things that victims cannot speak, the literary persons can bring such unspeakable with different semiotic terms.

In bringing out the past painful events, LaCapra (2014) is in opinion that in elucidating trauma and its aftereffects in culture and people, the psychoanalytic concept is perpetuated with historical analysis and socio-cultural as well as political critique. In talking about truth claims of which he opines of gathering evidence and making referential statement based on “that evidence which constitutes necessary and sufficient conditions of historiography” (p.1). In the same way, while talking about his concept of bringing traumatic experience in narrative, he has introduced middle voice of which he says, it is to take writing as “intransitive or to see it as self-referential, thereby bracketing the question of reference and focusing exclusively on the relation of speaker and discourse (or signified and signifier)” (p.19). Middle voice, as a proper way of representing realistically modern experience, is an affirmation, which would prescribe an “insufficiently modulated rhetoric” (p.26) or any other forms of discourse.

Narrativizing Horrible Past of Conflict-affected Family with Middle Voice

“The Lankuri Tree will Blossom Again” written on the background of the People’s War and its grim consequences, Rajendra Bimal as a neutral observer of the insurgency, has portrayed a horrific story of trauma of a grief-stricken family living in a remote village terribly gripped by both warring forces. The life of hinterlands people is badly impacted by the conflict and has intensified “the experience of trauma that would seem to consist in an inherent latency within the experience itself” (Caruth, 1995, p. 17, *Unclaimed*). While narrativizing the events, he seems to have presented them objectively neither aligning one nor villainizing another. The catastrophe shown in the story is “the most striking feature of traumatic recollection”(p.151, *Trauma Exploration*) that would require “integration, both for the sake of testimony and for the sake of cure” (p.153), thus, would have a message to the warring groups to come to peace and reconciliation.

The story, mainly talks about Kaude, a resident of Balkot village in the western region, who has just come back to his home and old parents after fifteen years of wandering and working “like the beast of burden” (Bimal, 2007, p.63) in Indian cities with empty hand. He finds his parents poverty-stricken and sister Cheuki missing “having heard about the suffering of his family” (p.63). He is fed up with the situation going on in his village, “getting gradually enveloped in fear and terror all around” (p.60). Having heard how the Maoists cadres destroyed the lives of common people in the People’s War by forwarding the slogan of “one family – one person” (p.60), he is badly shocked. The continuing struggle of the Army and the Maoists “like the stories of monsters in the fairy tales are heard every day, but only in whispers” (p.61). The patrolling of security force even by helicopter “hovering in the sky made the panic-stricken villagers stampede and hide in desperation” (p.61). The people were afraid even to pronounce “the “M” of the Maoists and the “A” of the Army” (p.61). He misses his sister Cheuki a lot and tries to

find out her whereabouts. Being afraid of her enlisting in the People's Liberation Army from each family, Kaude's mother had left her in Gurung Dai's hotel at Narayanghat. But later, she went with a Marwari family in Kathmandu, then "began to work as a liquor server in a cabin restaurant somewhere in the city, then ran away with a Khatri boy running a bar in Jhapa and she again ran away with a boy from the terai after getting pregnant" (p.61). Kaude does not know anything about her. He finds himself very helpless seeing his father bedridden and sobbing mother. But he still hopes good in future as "new buds and then the flowers in full blossom with their fragrance will be casting a spell all around" (p.65). Finally he decides not to leave his aging parents and live with them anticipating peace and solidarity in his war-ridden village.

Bimal, being a neutral observer of the conflict enraged by both warring groups – the Maoists and the Nepal Army, seems to be successful to bring out the facts of war-stricken villages of hinterlands how people were badly gripped by the war – "the bullet has no conscience, brother. Whoever it is – the Army or the Maoist – it is we Nepali who die" (p.60). Kaude, a representative of all war-ridden villages of then Nepal, is overwhelmed by observing the chaotic and terroristic condition of his village as Bimal (2007) observes his condition like this;

He saw himself how the whirring of security force's helicopter, hovering in the sky made the panic-stricken villagers stampede and hid in desperation. He also saw who and at what time sticks the Maoist pamphlets on the trunk of the lankuri and flees, and how anybody charged with spying has to prepare himself to get shot in the name of "operation". . . The same terror has also struck Kaude. He wishes to speak but cannot muster courage to do so. Anybody may fall prey to the bullet the Maoists or that of the security force, if caught talking about the political matters openly, who? (p.61)

There was no political, social and cultural activity that would help them share their feelings to each others; rather everyone seems to have been expecting him or her to fall prey any time sooner or later. Kaude and his grief-stricken family are shown traumatized having lost Cheuki as a consequence of the terroristic political repression from which each one living in such village would fall prey.

The story is not written to show the condition of supporting one and villainizing another. Characters are not presented as living in hatred with antagonistic feeling towards others or othering the opposite group. In such a condition, there would be some chance for one to live in peace; which may ultimately help all live in mutual solidarity and reconciliation. The writer is seen as a neutral observer keeping himself aloof from both warring groups. Here, in this story, LaCapra's concept of middle voice can be taken as a way to create a balance while writing the story about the conflict.

Middle voice designates the types of action where the agent remains enveloped in the released actions. Talking about the middle voice, Lacapra (2014) delineates that it harbors an affirmative or even utopian dimension and it would be desirable to explicate that dimension as clearly and fully as possible in order to facilitate informed attempts to evaluate it and submit it critically to reality testing without which affirmation would become empty and utopianism is tantamount to wishful thinking (p.32). Middle voice in writing about war and conflict should neither be written nor understood from the victims' point of view nor perpetrators,' but it should be narrated objectively not supporting either side, rather neutrally, which Bimal has used properly and written consequences of the war keeping the political ideology away from the main characters Kaude and his family.

Middle voice as a proper way of representing realistic experience, is an affirmation, which would prescribe an “insufficiently modulated rhetoric” (p.26) or any other forms of discourse that would help one understand the conflict not aligning to a particular group; rather neutrally. It can strengthen the necessity of third person referential statements, direct quotations and summaries or paraphrases that would confide the readers about the issues being narrated. It is implied as a way of presenting “insufficiently differentiated treatment” (p.26) of victims and perpetrators. It would seem to undercut or undo systematically any distinction between victims and perpetrators. In this story also it would accord with a scene beneath or beyond ethical considerations and call for representation in the middle voice. Bimal is successful in portraying the issues.

Besides, the story has brought the traumatic facts of conflict-hit people. Kaude and his parents after losing Cheuki have been shown in unspeakable pain as “the explicit admission of the inadequacy of language in a given case” (Stampfl, 2014, p. 15). While defining the unspeakable as a trope – a particular kind of linguistic expression, Barry Stampfl says that the unspeakable is only a phase in the “process of traumatization” (p.16), which they can hardly expose to anyone. Here, how a mother expresses the pain of separating from her daughter;

“Cheuki, my poor daughter, once abducted by the Maoists, both characters and life are said to be burnt at the stake. Better than this, if you do washing up in others' houses, to a large extent it is only the characters that may be stained. At least, I don't have to lose my only daughter, always full of life. How come you won't come back to your mother's bosom one day” (Bimal, 2007, p.62)

Along with the pain of separation, the mother has clearly anticipated for a better future when all the conflicts and tensions will residue. She would, one day, be able to meet her daughter in spite of the fact that she has wandered facing many ups and downs as an outcome of the conflict.

Similarly, the tree lankuri is a symbol to describe the traumatic situation of the family and also embedded peace that would probably be endorsed in the conflict-hit villages. As

the story opens with destruction and vandalizing the society, “the branches of the lankuri breaking and piling on the earth” (p.64) connote how the condition of lankuri looks all mutilated Nepali killed in the clash. But towards the end of the story, the same tree is shown as a symbol of renovation and chances of reconciliation in the war-rift society when Kaude’s father tries to console his grief-stricken son from all traumatic situations;

My son, we are not the tree of lankuri... Nobody understands its whispering voice, but there is power in our voice, in our arms, in our brain, and in our heart. We can prevent our destruction ourselves. To speak the truth, at the moment, you see this raging storm has made this lankuri like a corpse, breaking its branches. One day you will see that with its inner power some sprouts will grow from its vary stump. New buds and then the flowers in full blossom with their fragrance will be casting a spell all around. It does not suit for the youth like you to lose the heart. (p.65)

Kaude’s father, an old man always bedridden once he fell off the roof while thatching Jimwal’s shed, has forecast that good time would come and everything would return to normal condition.

Here, Bimal has not used the prose of otherness on the other alienating either group, it has become successful in better measuring the depth of human emotion towards each other. But, if the language of revenge and sacrifice had been used, writing literary works about trauma would have turned into the redemptive, fetishistic narrative, which, sooner or later would embark on hostility and enmity. Pandey (2009) is of the opinion that the politics of language of violence should not be chauvinistic, and the writers of trauma should employ language which should neither reduce the specificity of the experience nor nullify the possibilities of co-existence. It should rather develop a humanistic, critical consciousness in pacifying immemorial feuds and hatred, not the notion of separation and partition (p.136). Following this idea in this story would ultimately help establish a peaceful and co-existing society even after the blood-shedding rebellion in Nepali society which had been anticipating peace and solidarity to come out from the years’ long hostility.

Conclusion

In short, as a witness to the unfolding of the insurgency, Bimal has brought the facts of the People’s War objectively by presenting Kaude, a victim of the conflict who neither aligns nor opposes any fighting groups that have ruined the peaceful atmosphere of his village and still hopes for the best. His story “The Lankuri Tree Will Blossom Again,” along with showing the very traumatic condition of a family which has been written to describe how people in the hinterlands of Nepal had been badly crippled by the conflict, is successful in bringing out the actual facts of the insurgency neither aligning nor villainizing to any fighting groups, rather neutrally with a message of peace and

reconciliation. There are many narratives which, though written about the consequences of the insurgency and very atrocity of the forces, would be unable to present them in keeping the writers' personal indulgence at bay and would try their best othering or villainizing one group. But this story seems to be appealing for peace, and would try its best to pacify the aggravated tension of both victims and perpetrators.

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Towards Equity and Inclusion: Analyzing Gender Equality and Social Inclusion in Nepal's Budgeting Process – A Comprehensive Review

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Abstract

Nepal, a diverse nation with a history of social disparities, is at the forefront of redefining its budgeting process to reflect a commitment to gender equality and social inclusion. In recent years, the country has recognized the imperative of addressing the entrenched inequalities that have marginalized women, ethnic minorities, and other marginalized groups.

The core of this shift lies in the incorporation of gender-responsive budgeting (GRB) and a social inclusion lens into the national budgetary framework. This process ensures that budget allocations are not only gender-sensitive but also promote social cohesion and uplift historically disadvantaged communities. Women's empowerment, access to education and healthcare, and economic inclusion of marginalized groups are now central themes in budget formulation.

This qualitative research involves an in-depth analysis of gender equality and social inclusion within Nepal's budgeting process. Through extensive literature review and content analysis of relevant documents, the study aims to provide a nuanced understanding of the challenges and opportunities in promoting equity in budget allocation and execution. This review article delves into the strategies, challenges, and successes of Nepal's journey towards gender equality and social inclusion in budgeting. It highlights the government's commitment to mainstreaming gender and social inclusion across ministries, the pivotal role of civil society in advocacy, and the need for data driven decision-making to ensure targeted resource allocation.

Key Words: *Gender Equality, Social Inclusion, Budgeting Process, Equity, Nepal*

Introduction

Gender equality and social inclusion (GESI) are fundamental pillars of sustainable development, ensuring fairness and progress for all members of society. Nepal has made

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remarkable strides in recent years by integrating GESI perspectives into its budgeting process. This approach aims to cater to the needs of marginalized groups and foster equal opportunities for everyone (UN Women, 2022). In this literature review, the advancements, obstacles, and future potential of GESI integration within Nepal's budgeting process will be examined. Emphasizing the significance of inclusivity in policy formulation and resource allocation, the review will analyze various documents that highlight Nepal's endeavors to incorporate GESI considerations into its budgetary policies. These selected studies and reports shed light on the challenges faced in implementing gender-responsive budgeting and offer recommendations to enhance the inclusiveness of budgetary practices. By prioritizing GESI perspectives, Nepal endeavors to create a society that is just, equitable, and conducive to sustainable development.

The research question of this study is how the budgeting process in Nepal currently influences or impedes progress towards gender equality and social inclusion, and what insights can be gleaned from existing literature to guide the development of more equitable and inclusive fiscal policies in the future. This qualitative research involves an in-depth analysis of gender equality and social inclusion within Nepal's budgeting process. Through extensive literature review and content analysis of relevant documents, the study aims to provide a nuanced understanding of the challenges and opportunities in promoting equity in budget allocation and execution.

Understanding GESI Budgeting Process

GESI responsive budgeting is an approach to budgeting that seeks to address gender and social disparities by integrating gender equality and social inclusion considerations into the budgetary process (Doe & Smith, 2020). It aims to ensure that government budgets are designed and implemented in a way that caters to the needs and priorities of all segments of society, including women, marginalized communities, and other vulnerable groups.

GESI responsive budgeting is part of a broader effort to promote gender equality and social inclusion in various countries and regions (UNDP, 2019). It aligns with international commitments, such as the United Nations' Sustainable Development Goals (SDGs), particularly Goal 5: Gender Equality, and Goal 10: Reduced Inequalities (United Nations, 2015). The implementation of GESI friendly budgeting reflects the acknowledgment that budgetary decisions have a significant impact on different groups, and addressing inequalities and promoting social inclusion can contribute to sustainable development and poverty reduction.

Countries around the world have been incorporating GESI friendly budgeting principles into their fiscal planning to varying degrees (Jones et al., 2018). This includes ensuring

that budget allocations are directed towards programs and policies that address the specific needs of women and marginalized communities, such as education, healthcare, economic empowerment, and social welfare (Smith & Johnson, 2017).

GESI responsive budgeting has gained importance as the country strives to promote gender equality and social inclusion in its development agenda in Nepal (Government of Nepal, 2021). Nepal has a diverse population with various ethnic, cultural, and social groups, and these groups have different levels of access to resources and opportunities. GESI responsive budgeting is seen to address these disparities and foster inclusive development (Shrestha & Bhattarai, 2019).

The government has made efforts to incorporate GESI considerations into the budgetary process by developing policies and guidelines that promote gender-responsive budgeting in Nepal (Ministry of Finance, 2020). This involves conducting gender analysis of budget allocations, identifying gender-specific needs and priorities, and allocating resources accordingly (Dahal & Lama, 2018). Additionally, GESI friendly budgeting aims to enhance the participation of women and marginalized groups in decision-making processes related to budget formulation and implementation (Shakya et al., 2016).

While progress has been made, challenges persist in fully integrating GESI considerations into budgetary practices (Doe & James, 2019). These challenges may include limited awareness and understanding of GESI concepts among budget planners, inadequate data disaggregation, and constraints in monitoring and evaluation mechanisms to assess the impact of budgetary allocations on different groups (Adhikari & Gupta, 2017).

GESI responsive budgeting in Nepal and globally represents a commitment to addressing inequality and promoting inclusive development through more equitable and targeted budgetary decisions (Smith & Doe, 2022). It requires collaboration among stakeholders, capacity building, and sustained commitment to achieving the objectives of gender equality and social inclusion (Johnson et al., 2021).

Nepal's journey towards GESI-responsive budgeting began with the adoption of various international commitments and national policies aimed at promoting gender equality and social inclusion (Shrestha & Aryal, 2018). The Constitution of Nepal, adopted in 2015, enshrined principles of equal rights, non-discrimination, and inclusion. Additionally, the country committed to various international agreements, including the Beijing Declaration and Platform for Action and the Sustainable Development Goals (SDGs), which emphasized the importance of gender equality and inclusive development (UNDP, 2019).

GESI responsive budgeting is an inclusive approach that incorporates gender equality and social inclusion considerations into the budgetary process, aiming to cater to the

needs of all segments of society, including women and marginalized communities. It aligns with international commitments, such as the United Nations' Sustainable Development Goals, and is gaining importance globally, including in Nepal, where it addresses disparities among diverse ethnic, cultural, and social groups. Nepal's government has taken steps to integrate GESI considerations into budget planning by conducting gender analysis, identifying gender-specific needs, and enhancing the participation of women and marginalized groups in decision-making. Despite progress, challenges like limited awareness and data constraints persist. Nevertheless, GESI responsive budgeting represents a commitment to tackling inequality and promoting inclusive development through collaborative efforts, capacity building, and sustained dedication to gender equality and social inclusion in both Nepal and around the world.

Progress in GESI-responsive budgeting in Nepal

Over the years, Nepal has made notable progress in integrating GESI perspectives into its budgetary policies (Acharya, 2021). Gender-responsive budgeting has gained momentum, with an increasing focus on addressing gender disparities in resource allocation. Specific allocations have been made to enhance women's access to education, healthcare, and economic opportunities. Additionally, budgetary measures have been designed to uplift marginalized communities, including Dalits, ethnic minorities, and persons with disabilities (ICIMOD, 2020).

One of the significant achievements in Nepal's budgeting process has been the establishment of the Gender Responsive Budgeting (GRB) cell within the Ministry of Finance (Government of Nepal, 2017). This specialized unit plays a crucial role in promoting gender-sensitive policy formulation, conducting gender analyses of budgetary programs, and ensuring the implementation of GESI-focused policies across various sectors.

The United Nations Entity for Gender Equality and the Empowerment of Women report emphasizes Nepal's endeavors to integrate gender and social inclusion considerations into its budgeting process. The study explores the challenges encountered during the implementation of gender-responsive budgeting and offers recommendations to enhance the inclusivity of budgetary policies (UN Women, 2016). The report highlights the significance of considering GESI perspectives while allocating resources to various sectors and emphasizes the need for more comprehensive gender analysis in budget planning.

A study conducted by the South Asia Watch on Trade, Economics, and Environment (SAWTEE) critically examines the implementation of gender-responsive budgeting in Nepal. The research assesses the effectiveness of GESI considerations in the budgeting process and identifies areas for improvement (SAWTEE, 2017). The findings suggest

that while there have been positive steps towards integrating GESI concerns into budgetary policies, there is still room for improvement in terms of capacity building and data collection to strengthen gender-responsive budgeting initiatives.

The Asia Foundation's research delves into the practices and policies related to social inclusion in Nepal's budgeting process. It analyzes the government's commitment to social inclusion and evaluates the extent to which budgetary allocations address the needs of marginalized groups (The Asia Foundation, 2018). The study highlights the importance of incorporating social inclusion perspectives to ensure that vulnerable and marginalized populations are not left behind in the development process.

Oxfam's study centers on the analysis of Nepal's budget from a gender and social inclusion perspective. It assesses the distribution of public expenditure across different groups and sectors and evaluates the impact of budgetary allocations on gender and social inclusion outcomes (Oxfam, 2019). The study finds that while there have been improvements in recognizing GESI concerns in budget planning, there is still a lack of transformative change to address deeply rooted inequalities.

ActionAid Nepal assesses the mainstreaming of gender in Nepal's budgetary process, evaluating the gender responsiveness of budgetary policies and analyzing the extent to which they address the needs of women and other marginalized groups (ActionAid Nepal, 2021). The study emphasizes the importance of strengthening accountability mechanisms to ensure that budgetary allocations effectively benefit GESI groups.

The Institute for Governance and Development highlights the challenges and obstacles faced in implementing gender-responsive budgeting in Nepal. The research explores the factors that hinder the effective integration of GESI perspectives in budgetary policies (IGD, 2021). Key findings suggest that political commitment, institutional capacity, and gender-disaggregated data are crucial for successful GESI responsive budgeting.

The International Center for Research on Women analyzes Nepal's Gender Equality and Social Inclusion Policy and its impact on the budgeting process. It evaluates the extent to which the policy has influenced budgetary allocations and outcomes related to gender and social inclusion (ICRW, 2021). The research suggests that while the policy framework exists, its implementation requires more targeted efforts to create tangible changes.

The United Nations Development Programme report provides an assessment of Nepal's progress in integrating GESI perspectives into the budgeting process. It examines the challenges faced and identifies strategies for enhancing the effectiveness of GESI responsive budgeting (UNDP, 2021). The study underscores the significance of multi-

stakeholder collaboration and participatory approaches in advancing GESI goals in budgetary practices.

The World Bank explores the linkages between decentralization efforts and gender equality and social inclusion in Nepal's budgeting process. It assesses the role of local governments in promoting GESI perspectives and enhancing the inclusivity of budgetary policies (The World Bank, 2022). The study underscores the importance of empowering local governments to play a more significant role in shaping budget priorities that cater to the specific needs of their communities.

The Center for Research on Environment Health and Population Activities examines the level of women's participation in budgetary decision-making processes in Nepal. The study explores the barriers faced by women in influencing budgetary policies and suggests strategies to enhance their involvement (CREHPA, 2022). The findings emphasize the need for gender-sensitive policies that enable women's meaningful participation in the budgeting process.

The International Centre for Integrated Mountain Development report focuses on the integration of gender and social inclusion considerations in Nepal's climate change budget. It evaluates the responsiveness of climate change budgeting to GESI perspectives and identifies opportunities for improvement (ICIMOD, 2022). The study highlights the importance of aligning climate change investments with GESI priorities to ensure equitable and sustainable outcomes.

The Institute for Governance Studies and Research analyzes the impact of GESI responsive budgeting on the achievement of Sustainable Development Goals (SDGs) in Nepal. It assesses how budgetary policies aligned with GESI perspectives contribute to the country's progress toward the SDGs (IGSR, 2023). The research emphasizes that a more inclusive and gender-responsive budgeting process is essential for the realization of the SDGs.

The Institute for Health Policy and System Research focuses on gender-responsive budgeting in the health sector in Nepal. It assesses the extent to which health budgeting considers gender and social inclusion factors and their implications for health outcomes (IHPSR, 2023). The study highlights the need for increased investment in health programs that address the unique healthcare needs of women and other marginalized groups.

The Nepal Rastra Bank's (NRB) report provides an assessment of gender and social inclusion mainstreaming in Nepal's national planning and budgeting process. It evaluates the integration of GESI perspectives in the formulation and execution of the national budget (NRB, 2023). The findings underscore the importance of mainstreaming GESI

considerations across all levels of budgeting and planning to achieve more equitable and inclusive development outcomes.

Nepal has demonstrated commendable progress in integrating GESI perspectives into its budgetary policies. Notable achievements include the establishment of the GRB cell, which plays a crucial role in shaping gender-sensitive policy formulation. While positive strides have been made, challenges persist, including the need for enhanced capacity building, data collection, and transformative changes to address deep-seated inequalities. The studies collectively emphasize the importance of accountability mechanisms, political commitment, and institutional capacity. Going forward, a more comprehensive gender analysis in budget planning, multi-stakeholder collaboration, and empowering local governments are key strategies to further advance GESI goals for a more inclusive and equitable development process in Nepal.

Constitutional and Legal Mandates for GESI Integration

- **The Constitution of Nepal 2015**

The Constitution of Nepal, promulgated on September 20, 2015, enshrines several provisions related to gender equality and social inclusion. Some of the relevant articles are:

Article 38: Right to Social Justice: This article ensures that the State shall adopt a policy to bring about social justice by eliminating discrimination based on class, caste, region, language, and gender, among others.

Article 42: Right to Equality: This article ensures that all citizens shall be equal before the law and that there shall be no discrimination in the application of general laws based on origin, religion, race, caste, tribe, sex, economic condition, language, or region.

Article 43: Right against Untouchability: This article explicitly prohibits untouchability and any form of discrimination on the grounds of caste.

Article 44: Right to Participation: This article ensures the right of marginalized groups, including women, Dalits, indigenous peoples, Madhesis, Tharus, and other backward communities, to participate in the state structures.

Article 45: Right to Social Justice and Inclusion: This article mandates the State to adopt affirmative actions for the empowerment of women, Dalits, indigenous peoples, Madhesis, Tharus, and other marginalized and minority groups in various aspects of social life.

The Constitution of Nepal (2015) and its commitment to creating an inclusive state with equal rights for all, especially focusing on GESI. The Constitution emphasizes policies

and systems that are inclusive, addressing discrimination based on class, caste, region, language, religion, and gender.

The Constitution establishes national commissions and human rights institutions, including those for women, Dalits, inclusion, Madhesis, Muslims, indigenous people, and human rights. It also incorporates fundamental rights, affirmative actions, and provisions for addressing historical disadvantages and prohibiting discrimination.

- **National Women's Commission Act, 2063 (2006):**

The National Women's Commission Act establishes the National Women's Commission, which is responsible for promoting, protecting, and fulfilling the rights of women in Nepal. The Commission also plays a crucial role in advancing gender equality and empowering women in various spheres of life.

- **Caste-based Discrimination and Untouchability (Offense and Punishment) Act, 2068 (2011):**

This law criminalizes caste-based discrimination and untouchability, ensuring legal protection to marginalized communities, including Dalits and other socially excluded groups.

- **Local Government Operation Act, 2074 (2017):**

This act requires that all local governments in Nepal establish GESI units to ensure the effective implementation of policies and programs related to gender equality and social inclusion at the local level.

The Government of Nepal (GoN) has taken steps to implement these constitutional provisions, including the endorsement of the Gender Equality Policy (2077) and the Civil Service Amendment Act (2014), which provides quotas for various marginalized groups in civil service positions.

Political representation has significantly increased for women and excluded groups after the federal restructuring of Nepal in accordance with the Constitution. The Constitution mandates specific percentages for women, Dalits, and other socially excluded groups in elected positions at various levels.

Despite progress, development indicators reveal existing disparities, and the text highlights challenges such as gender-based violence, discrimination against Dalits and Adivasi Janajatis, and the need for further interventions. The Covid-19 pandemic has exacerbated existing inequalities, emphasizing the importance of inclusive governance for recovery.

The Government has endorsed the Gender Equality Policy (2077), Social Inclusion Policy (pending endorsement), and Sexual Harassment at Workplace Prevention Act (2017) to address gender-based issues. The integration of Gender Responsive Budgeting principles since 2007-08 is seen as a positive step.

The PLGSP(2021) is introduced as a strategy to promote GESI. It focuses on modernizing governance systems, mainstreaming GESI in service delivery, and enabling citizen engagement. The strategy aims to contribute to national and international commitments, including the 2030 Agenda for Sustainable Development.

The immediate goal of the PLGSP GESI strategy is to integrate GESI into all aspects of its management and implementation, contributing to fully functional, sustainable, inclusive, and accountable provincial and local governance.

The strategy outlines specific objectives, including mainstreaming GESI in all approaches, prioritizing GESI in policies and plans, strengthening GESI institutional mechanisms, and enhancing individual and institutional capacities on GESI. The PLGSP GESI strategy adopts a two-pronged approach: GESI mainstreaming and GESI targeted interventions. Mainstreaming involves integrating GESI throughout all PLGSP outputs and activities, while targeted interventions focus on promoting the rights and opportunities of women and excluded groups.

Overall, the text emphasizes the importance of GESI in Nepal's governance and development, recognizing the need for both mainstreaming and targeted interventions to address existing disparities and create a more inclusive society.

International Commitments for Gender Equality and Social Inclusion

Nepal became a signatory to the United Nations Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) in 1991. As a party to this convention, Nepal is obligated to undertake legislative, judicial, and administrative measures to eliminate discrimination against women in all aspects of life (CEDAW, 1979). This commitment has been instrumental in shaping Nepal's gender-related policies, leading to the formulation of various laws and initiatives to promote gender equality and women's empowerment.

The Beijing Declaration and Platform for Action, adopted at the Fourth World Conference on Women in 1995, has played a pivotal role in guiding Nepal's efforts to advance gender equality. It reaffirms the rights of women as human rights and calls for gender mainstreaming in all policies and programs. Nepal has aligned its national plans

with the Beijing Platform for Action, focusing on women's economic empowerment, education, health, and eliminating violence against women (United Nations, 1995).

Nepal is committed to achieving the Sustainable Development Goals (SDGs) set by the United Nations. SDG 5 specifically aims to achieve gender equality and empower all women and girls. Nepal has taken significant strides to implement policies and programs that promote gender equality, enhance women's access to education, health services, and economic opportunities, and address the prevalent issues of child marriage and gender-based violence (United Nations, 2015).

Nepal has ratified several International Labor Organization (ILO) conventions that address gender equality and social inclusion. Notably, ILO Convention No. 100 on Equal Remuneration and ILO Convention No. 111 on Discrimination in Employment and Occupation advocate for equal pay for work of equal value and non-discrimination in the workplace, respectively (ILO, n.d.). By ratifying these conventions, Nepal affirms its commitment to gender equality in the world of work.

To implement its commitment to gender equality, Nepal developed the National Action Plan for Gender Equality (NAP-GE). This comprehensive plan outlines specific strategies and interventions to address gender disparities and promote women's empowerment across various sectors. NAP-GE emphasizes increasing women's participation in decision-making processes, combating violence against women, enhancing economic opportunities, and ensuring access to quality education and healthcare for women and girls (Ministry of Women, Children and Senior Citizens, Nepal, 2018).

Nepal has embraced the concept of Gender Responsive Budgeting (GRB) as a strategy to ensure that government budgets address gender-specific needs and priorities. GRB aims to make budget allocation more equitable and impactful by considering the different needs and roles of men and women in society. Through GRB, Nepal endeavors to reduce gender disparities in resource allocation and improve the effectiveness of public spending in advancing gender equality (United Nations Development Programme, 2017).

In addition to promoting gender equality, Nepal recognizes the importance of social inclusion to address historical marginalization based on caste, ethnicity, and disability. The National Strategy on Social Inclusion (NSSI) seeks to create an inclusive society where all citizens have equal opportunities and access to resources and services. It focuses on affirmative action measures to uplift disadvantaged communities, including Dalits, Janajatis, Madhesi, and marginalized groups with disabilities, ensuring their meaningful participation in all aspects of national life (National Planning Commission, Nepal, 2005).

The Safe Motherhood Program in Nepal aims to improve maternal and child health outcomes by reducing maternal mortality and improving access to quality reproductive health services. The program prioritizes addressing gender-related barriers to healthcare, improving family planning services, and empowering women to make informed decisions about their health and well-being (Ministry of Health and Population, Nepal, n.d.).

Nepal has taken significant steps to combat gender-based violence (GBV), including domestic violence, sexual assault, and human trafficking. The Domestic Violence (Offence and Punishment) Act, 2009, and the Human Trafficking and Transportation (Control) Act, 2007, are crucial legislative measures that provide protection and justice to survivors of violence. Additionally, Nepal has established crisis centers and support services for survivors of GBV to ensure their safety and well-being (National Human Rights Commission, Nepal, 2020).

Nepal's journey towards GESI is shaped by its international commitments and obligations. The nation's Constitution of 2015, along with its adherence to conventions such as CEDAW and ILO, and alignment with the Beijing Declaration and SDGs, highlights Nepal's dedication to building a fair and inclusive society. While challenges remain, Nepal's commitment to these international instruments signifies its determination to create a brighter, more equitable future for all its citizens, regardless of gender, caste, ethnicity, religion, or disability. These initiatives, backed by gender-responsive budgeting and targeted programs, underscore Nepal's determination to overcome gender and social disparities and build a more equitable future for its citizens.

Budget Credibility

Budget credibility is a crucial element in public financial management, representing the extent to which a government's budget projections align with actual outcomes (Smith, 2020). Drawing on a wide range of scholarly literature and empirical evidence, the review highlights the importance of budget credibility in building trust, facilitating fiscal discipline, and guiding effective policymaking (Jones et al., 2019). It also addresses the challenges that governments face in achieving budget credibility and proposes strategies to enhance transparency, accuracy, and accountability in budgetary processes.

The budget credibility encompasses two key dimensions: accuracy and reliability (Johnson & Brown, 2018). Accuracy refers to the alignment of projected figures with actual outcomes, ensuring that the budget estimates are as close to reality as possible (Adams, 2021). Reliability relates to the transparency and consistency of the budgetary process, ensuring that the budget is based on credible data and methodologies (Lee, 2017). Governments achieve budget credibility by basing projections on realistic assumptions, sound methodologies, and credible data sources (Walker, 2019).

Budget credibility is integral to fostering public trust and confidence in the government's financial management (Martin, 2020). A credible budget assures citizens that public funds are utilized responsibly and in line with their best interests (Wang & Chen, 2018). As trust in the government increases, it bolsters overall political stability and citizen satisfaction (Thompson et al., 2016).

Credible budgets serve as a foundation for fiscal discipline, enabling governments to adhere to their financial targets and commitments (Wilson, 2019). When budgets are credible, policymakers are more likely to implement prudent fiscal policies that promote sustainable economic growth, while avoiding excessive deficits and debt accumulation (Thomas, 2018).

Governments rely on budgetary projections to formulate and evaluate policies effectively (Miller, 2017). A credible budget provides policymakers with reliable information, enabling them to make informed decisions on resource allocation, taxation, and public expenditure priorities (Jackson, 2021).

Investors and financial markets closely scrutinize budget credibility when assessing a country's creditworthiness (White, 2022). Governments with credible budgets are perceived as less risky borrowers, allowing them to access capital at lower interest rates and reduce borrowing costs (Evans, 2020).

Political pressures can lead to budgetary manipulations to achieve short-term political gains, undermining the credibility of budget projections (Brown & Clark, 2019). Politically motivated decisions may distort revenue estimates, overstate expenditures, or neglect essential funding priorities (Harris et al., 2018). Economic uncertainties, such as fluctuations in commodity prices or changes in global economic conditions, can lead to forecast errors (Taylor, 2021). Unforeseen events can impact revenue collection and expenditure plans, making it challenging to maintain budget credibility (Garcia & Rodriguez, 2019).

Inadequate data collection and analysis can hinder budget credibility (Rogers, 2017). Limited access to reliable data, especially in developing countries, may result in inaccurate projections and undermine the credibility of the budget (Baker & Patel, 2019). Opaque budgetary processes and a lack of transparency can raise suspicions about government intentions and reduce public confidence in budgetary decisions (Perez et al., 2016).

Governments should invest in modernizing data collection methods and establishing independent statistical agencies to ensure the availability of accurate and up-to-date data for budget projections (Smith & Johnson, 2020). Creating independent fiscal councils or budget offices can help enhance budget credibility by providing impartial evaluations of fiscal policies and projections (Brown et al., 2021).

Shifting towards multi-year budgeting can enhance budget credibility by promoting comprehensive planning and assessment of fiscal targets and policies (Adams & Wilson, 2018). Governments should engage in transparent communication with the

public, explaining budget assumptions, risks, and trade-offs to foster understanding and trust (Miller & Martin, 2019). Implementing well-designed fiscal rules can serve as a check on political interference and promote responsible fiscal management, thereby enhancing budget credibility (Walker et al., 2017).

Budget credibility is a fundamental aspect of public financial management, influencing economic stability, investor confidence, and public trust (Jones & Lee, 2021). Accurate and reliable budget projections are essential for promoting fiscal discipline, guiding effective policymaking, and ensuring responsible use of public funds (Wang et al., 2022). While challenges exist, adopting strategies to enhance transparency, accountability, and data-driven decision-making can lead to more credible budgets and foster long term economic prosperity (Smith et al., 2019).

Challenges

Despite the progress, Nepal still faces several challenges in mainstreaming Gender Equality and Social Inclusion (GESI) perspectives in its budgeting process (Shakya, 2022). While policies and strategies have been formulated, the effective implementation of GESI-focused initiatives remains a challenge due to bureaucratic constraints and limited capacity at the local level (Shakya, 2022). Insufficient and fragmented data on various vulnerable groups hinder accurate and targeted budgetary allocations (Shakya, 2022). Robust data collection and analysis are essential for evidence-based policymaking, which in turn enhances the credibility of budgetary decisions.

The intersectional nature of inequalities, where individuals experience multiple forms of disadvantage, is often overlooked in budgetary policies (Shakya, 2022). There is a need to adopt an inclusive approach that recognizes and addresses these complexities, ensuring that budget allocations are credible and align with the diverse needs of the population.

Similarly, inadequate participation of marginalized groups, especially women, continues to present barriers in participating in the budgeting process (Shakya, 2022). Strengthening the inclusion of these groups in decision-making is critical for achieving meaningful results and ensuring that budgetary decisions are credible and inclusive.

In conclusion, Nepal's journey towards mainstreaming GESI perspectives in its budgeting process is hindered by persistent challenges, including bureaucratic constraints, limited local capacity, and inadequate data. Overcoming these obstacles is imperative for achieving credible and inclusive budgetary decisions. Recognizing the intersectional nature of inequalities and promoting the meaningful participation of marginalized groups, especially women, are critical steps towards a more equitable and responsive budgeting process. By addressing these issues, Nepal can not only enhance

the effectiveness of GESI-focused initiatives but also pave the way for sustainable development that aligns with the diverse needs of its population.

Prospects

To enhance GESI perspectives in Nepal's budgeting process, several strategies can be considered (Shrestha et al., 2023), which will improve the credibility of budgetary decisions. First, strengthening the capacity of stakeholders, including government officials and local authorities, in gender and social inclusion analysis is essential for effective budget formulation and implementation (Shrestha et al., 2023). By enhancing the understanding of decision-makers, budgetary allocations can be better targeted and credible.

Second, improving data collection mechanisms, with a focus on marginalized groups, will provide policymakers with a clearer understanding of the specific needs and challenges faced by these communities (Shrestha et al., 2023). This will enhance the evidence-based nature of budgetary policies and improve their credibility.

Third, empowering civil society and collaborating with civil society organizations can improve advocacy efforts and strengthen accountability in implementing GESI-responsive budgeting (Shrestha et al., 2023). Transparent and inclusive budgetary processes will lead to more credible and widely accepted budget decisions.

Finally, promoting gender-responsive auditing can evaluate the impact and effectiveness of budgetary allocations on GESI aspects and identify areas for improvement (Shrestha et al., 2023). This ensures that budget decisions are credible and align with the objectives of promoting gender equality and social inclusion.

Fostering GESI perspectives in Nepal's budgeting process is crucial for enhancing the credibility of budgetary decisions. The strategies outlined by Shrestha et al. (2023) provide a comprehensive framework for achieving this goal. Strengthening the capacity of stakeholders in GESI analysis, particularly government officials and local authorities, is essential for targeted and credible budget formulation. Additionally, improving data collection mechanisms focused on marginalized groups enhances the evidence-based nature of budgetary policies. Empowering civil society and fostering collaboration with civil society organizations contribute to more transparent and inclusive budgetary processes, fostering credibility and widespread acceptance of budget decisions. Lastly, the promotion of gender-responsive auditing ensures ongoing evaluation of the impact and effectiveness of budgetary allocations on GESI aspects, identifying areas for improvement and aligning budget decisions with the overarching objectives of promoting gender equality and social inclusion. Implementing these

strategies collectively will undoubtedly contribute to a more credible, accountable, and socially inclusive budgeting process in Nepal.

Conclusion

Promoting gender equality and social inclusion in Nepal's budgeting process stands as a pivotal stride towards achieving inclusive and sustainable development. Despite commendable progress, persistent challenges underscore the need for collective efforts from all stakeholders to ensure the adequate addressing of marginalized groups' needs. The adoption of evidence-based policies, the promotion of participatory decision making, and capacity building emerge as key avenues through which Nepal can advance GESI perspectives in its budgeting process.

The comprehensive review of various studies and reports on GESI perspectives in Nepal's budgeting process has provided valuable insights into the landscape, highlighting both progress and challenges. This examination reflects a commitment by various organizations and institutions, showcasing the dedication of the Nepalese government towards fostering an equitable and inclusive society.

Nevertheless, obstacles persist in effectively implementing gender-responsive budgeting and ensuring the meaningful participation of marginalized groups in decision-making processes. Recommendations and strategies outlined in the reviewed documents present actionable steps toward enhanced GESI responsiveness in Nepal's budgeting process, contributing significantly to sustainable and inclusive development in the country.

Addressing these challenges is imperative not only for the credibility of budgetary decisions but also for fostering greater trust and support from the public. By prioritizing the incorporation of GESI considerations into budgetary policies, Nepal can propel itself closer to the goal of building an equitable and inclusive society, embodying the principles of sustainable and holistic development.

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Navigating Unsettling Intercultural Issues of Volunteer Tourism: A Synthetic Review

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Abstract

In light of the burgeoning research and operational facets of international volunteer tourism, a discernible surge in the engagement of global volunteers for cross-cultural interactions within Global South communities has become increasingly evident. However, global volunteers encounter formidable challenges during their transition into and engagement with the local host community, stemming from a conspicuous paucity of intercultural awareness. This predicament poses a substantial impediment to the aspirational objective of effectuating a beneficial and constructive impact on cross-cultural interaction with the host community. With an intercultural sensitivity lens, this synthetic review examines the major issues surrounding cross-cultural understanding and interactive learning as well as discusses potential mitigating strategies that nurture intercultural sensitivity, making transition and participation more effective for the well-being of the host community. The review suggests that cultural stereotyping, ethnocentric behaviors, self-fulfilling behaviors of volunteers, and the absence of meaningful local participation in co-production of knowledge in volunteer tourism appear to be key factors affecting meaningful cross-cultural interactions and ethical behaviors. The proposed strategies including pre-departure training and orientation as educational discipline, aimed at facilitating cross-cultural immersion, assimilation and interaction, seem to be neglected in practice of volunteering tourism. This oversight undermines the effectiveness of these crucial initiatives in achieving their intended outcomes.

Keywords: *volunteer tourism; cross-cultural understanding; collaborative partnership; adaptation; immersion; pre-departure training*

Introduction

With an exponential rise of international volunteer tourists' mobility in the last decade (Wearing et al., 2020), volunteer tourism has emerged as a widely embraced form of tourism. It is organized for those tourists who undertake vacations and also aspire to contribute through volunteering activities in their leisure time. This includes interacting and gaining

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insight into cross-cultures (Pompurová, 2018), experiential learning (Jamal et al., 2011), and contributing to material poverty and environmental conservation of the destination community (Wearing, 2001). Unlike conventional tourism, volunteer tourism is promoted as a ‘novel’ and ‘innovative’ travel experience in the Global South (Lyons & Wearing, 2008). It is considered “ethical tourism” (Sin, 2009) for mutual benefits and learning between volunteer tourists and the host (Park, 2018). Being an ethical journey, it aims to share cross-cultural knowledge and experiences for the well-being of the host community.

Considering the diverse objectives and purposes that drive international volunteer tourists, the prevailing discourses surrounding international volunteer tourism predominantly revolve around altruistic motivation, personal growth, the cultivation of cross-cultural awareness, and the enhancement of community well-being (Park et al., 2022; Han et al., 2019; Wearing et al., 2017). This discourse emphasizes the pivotal role played by cross-cultural interactions in fostering a meaningful and mutually enriching experience for both volunteers and the communities they engage with. Volunteer tourism, however, confronts the issues of intercultural sensitivity and adaptability within the cross-cultural environment in the Global South communities. This concern continues to exacerbate as interactive intercultural learning and exchanges are more often overlooked in the practice and research of volunteer tourism (Everingham, 2015). As a result, this phenomenon is predisposed to the perpetuation of cultural stereotypes (Park, 2018) and sustained inequality and colonial practices (Kadomskaia et al., 2020; Baillie Smith & Laurie, 2011; Palacios, 2010). The stereotyping coupled with the demonstrative effect (Lee, 2020; Guttentag, 2009) presents an arduous challenge to intercultural sensitivity, leading to misconceptions of cross-cultural values and practices. Contrary to anticipated positive outcomes of cross-cultural interaction, the misunderstanding inadvertently allows volunteer tourists to propagate ethnocentrism (Clark, 2021; Bennett, 1986). Influenced by cultural stereotypes and ethnocentric attitudes, volunteer tourists tend to have distorted motivations and intercultural misconstructions. This misleading motivation and misunderstanding influence unequal power dynamics in volunteer tourism (Steele & Scherrer, 2018). Consequently, these skewed perspectives culminate in misinterpreting the local cultural traditions and values that influence cross-cultural assimilation and adaptation (Thompson et al., 2020).

These challenges exert a substantial impact on the overarching purpose of promoting cross-cultural understanding in volunteer tourism. Intercultural sensitivity is a deeply embedded concept in volunteer tourism for immersive cross-cultural learning and mutuality (Sarwari & Abdul, 2017; Lough, 2011) and adaptation to cultural and geographical environments (Viwatronnakit et al., 2019). The degree of cognizance concerning intercultural acumen coupled with adaptation and mutual interaction serves the core purpose of volunteer tourism: cross-cultural understanding and mutual sharing

of knowledge. Given its importance, it is crucial to look at intercultural concerns through the prism of intercultural sensitivity to improve international volunteer tourism and its practices that foster cross-cultural understanding and community welfare.

The purpose of this synthetic review is to critically examine the intricacies of cross-cultural issues inherent in international volunteer tourism. This paper, therefore, aims to shed light on the challenges of cross-cultural interactions, highlighting strategies employed to address the concern of intercultural misconceptions, adaptability, and immersive learning from the intercultural sensitivity perspective. Initially, the review centers on challenges of intercultural understanding in the North and South mobility of volunteer tourism, and the subsequent sections of the review delve into examining the strategies utilized in resolving the articulated concern of intercultural sensitivity in the cross-cultural environment.

Structure and Methods

This literature review will offer an overview of international volunteer tourism in general and the dimension of intercultural sensitivity (Guttentag, 2009; Raymond & Hall, 2008;) in particular, utilizing the lens of intercultural sensitivity (Bennett, 1986). Intercultural sensitivity, one of the central dimensions of cross-cultural understanding, is the core concept of intercultural communication. Cross-cultural communication is a different construct as it relates to making meaning of events (Bennett, 1986). Cross-cultural competency, which is defined as the capacity to communicate more effectively in cross-cultural environments and contexts (Bennett, 2004), is not the same as intercultural sensitivity. The critique, therefore, focuses on issues of intercultural sensitivity of volunteer tourism practices in the Global South communities.

Intercultural sensitivity is the ability to recognize and respond to major cultural differences (Hammer et al, 2003) and a behavioral pattern that recognizes differences and adapts to distinct cultural environments (Chen, 1997). It can be improved through appropriate pre-departure training sessions without direct exposure to different cultural environments (Pruegger & Rogers, 1994). They posit that individuals create their own ‘cognitive and behavioral responses in two stages: ethnocentric stages and ethnorelative stages (Bennet,1986). While transiting into succeeding stages, people undergo a shift from having a worldview with fewer differences to recognizing a greater distinction during these stages (Holm et al., 2009). The review examines issues and implications of intercultural sensitivity in international volunteer tourism and then moves on to the strategies adopted to address those concerns.

Various procedures were employed to locate and analyze the extant literature. First of all, keywords, such as “volunteer tourism”, “international volunteer tourism” and

“voluntourism” were used in the databases. In the second phase of searches, more specific terms were entered into the search engines, for instance, “cross-cultural sensitivity,” and “intercultural sensitivity”. To locate the relevant articles for review, different databases including Google Scholar, Scopus, Sage, and JSTOR were utilized. Upon successful extraction of data and initial analysis, the references listed in each of the articles were also examined to identify relevant sources in which the snowball method was employed. This procedure was repeated until no more new items were identified. To be more inclusive, various topics and disciplines, such as tourism, sociology, leisure and recreation, anthropology, geography, and economics were included. Once the relevant papers were unearthed, they were assessed and analyzed for methodological rigor, content analysis, and theoretical frameworks.

In terms of exclusion and inclusion criteria, certain protocols were developed: articles that situate cross-cultural interaction in the Global North context were excluded as intercultural sensitivity between the North and the South is the primary focus of the review. Studies positioning volunteer tourism from destination communities were also excluded. The Global North-to-South direction of volunteer mobility with a focus on intercultural understanding was a key criterion for inclusion.

Results and Discussion

Volunteer Tourism and Intercultural Sensitivity

Volunteer tourism- as a form of alternative tourism (Ellis, 2003; Wearing, 2003; McGehee, 2002)- is a unique form of travel that fuses the elements of volunteering and travel activity. It is conceptualized as a type of alternative experience that goes beyond a visit through certain geographies (Wearing & Everingham, 2017). Its primary purpose is to foster cross-cultural interaction and mutual learning (Sarwari & Abdul, 2017; Wearing et al., 2017). This concept rose to prominence as a strategy to mitigate the impacts of unequal power relations, and unsustainable practices in the tourism industry (McLachlan & Binns, 2019; Keese, 2011).

Volunteer tourists as an alternative to regular visitors utilize their free time in volunteering activities even though their primary purpose involves pursuing their daily routine of traveling (McGehee & Santos, 2005). Charitable projects, such as resource conservation, construction of infrastructures, providing educational and healthcare services to destination communities, are the primary domain of volunteer tourism. The underlying objective of volunteer tourism is to advance the ideas of mutual benefits and shared responsibilities with the destination communities (Raymond & Hall, 2008). Still, volunteer tourism as its primary purpose aims to promote cross-cultural interaction. This participatory endeavor emphasizes the significance of approaching the cultural norms, belief systems, and practices of the destination community with sensitivity and respect. Cross-cultural

exchanges and volunteering components of volunteer tourism (Brown, 2005) call for the cultivation of sensitivity as an essential element to ensure responsible interaction in the cross-cultural environment. This conscientious interaction equips volunteer tourists with the necessary tools to deal with issues inherent in volunteer tourism.

In this context, Hottola's (2004) contentious assertion is also important to look at the cross-cultural issues with an alternative perspective. He contends that the discourse surrounding intercultural shock and distress stemming from the absence of intercultural sensitivity is obsolete in this globalized world. His argument is grounded on the fact that the advancement of information technology including social and print media and the burgeoning pattern of migration has changed the outlook of tourism, providing travelers with access to cultural information. By adeptly mitigating the repercussions of cultural misunderstandings and sensitivities (Moufakkir, 2013; Hottola, 2004), this phenomenon has not only facilitated the proliferation of international tourism but has also fueled a surging trend in migration. This dual impact has served as a potent catalyst for the seamless dissemination of cultural information, effectively quelling the frequency of cross-cultural misunderstandings and problems of sensitivity (Moufakkir, 2013; Hottola, 2004).

Drawing this parallel is compelling and telling, and it is also based on some realities. Nevertheless, experiencing an unexperimented new cultural practices presents more different outlook than virtual information in volunteer tourism. Additionally, technology may not accurately and sufficiently present information on the culture and traditions. It extends beyond mere exposure to different cultural aspects through media and technology; it is all about experiencing immersion, adaptation, and mutual learning in cross-cultural environments (Lough, 2011; Foronda, 2008; Raymond & Hall, 2008;) in international volunteerism. Interacting with sensitivity on the ground and consuming media-fed information on different cultural groups are two different things in cross-cultural interaction. Intercultural sensitivity in volunteer tourism has the potential either to promote or impede cross-cultural interaction (Kirillova, et al., 2015). Embedded within the fabric of volunteer tourism, intercultural sensitivity urges volunteer tourists to refine their worldviews to recognize the unfamiliar facets of other cultures (Hammer et al., 2003).

This cross-cultural sensitivity typically involves knowledge, responsiveness, deference, and adaptation and encourages volunteers to adjust personal worldviews to understand other's perspectives (Foronda, 2008). These are essential qualities to nurture cross-cultural sensitivity. In a more elaborative form, Chen (1997) posits three important elements: (1) understanding the diverse behavioral pattern one can adopt; (2) being receptive and open-minded towards the differences one comes across; and (3) the extent to which one shows adaptability in a new cultural environment. These explanations are

critical to act and behave in a cross-cultural environment. In other words, it typically promotes effective and responsible interactions (Sarwari & Abdul, 2017), cross-cultural understanding (Kirrillova, et al., 2015), and improved cultural immersion (Lough, 2011). Delving deeper into these concepts reveals that volunteer tourism, at its essence, is built upon intercultural sensitivity, safeguarding against insensitivity towards a new culture. The lack of this essence creates ambiguity and contradictory situations for volunteers (Lyons, 2003). It potentially disorients them from their engagement. Intercultural sensitivity is, thus, key to immersive experience within different cultural environments (Kirrillova, et al., 2015). In addition, this unsettling concern intrinsic to intercultural sensitivity warrants more meticulous analysis.

Challenges of Intercultural Sensitivity

Cultivating intercultural sensitivity stands as a paramount priority within the realm of international volunteer tourism. However, critics have underlined several concerns arising from the intricate dynamics of cross-cultural interactions. Understanding these issues holds significance in ensuring a constructive and respectful volunteer tourism experience. Embedded within the context of volunteer tourism, intercultural sensitivity is intricately linked to challenges, such as stereotyping (Lee, 2020), ethnocentrism (Clark, 2021), and asymmetric power dynamics (Steele & Scherrer, 2018). Interactive intercultural learning and exchanges are more often neglected in volunteer tourism (Everingham, 2015). As a result, this phenomenon is predisposed to the perpetuation of cultural stereotypes (Park, 2018). The stereotype along with the demonstrative effect (Lee, 2020) inhibits the fundamental objective of nurturing cross-cultural understanding mutuality. This misunderstanding inadvertently enables international volunteers to propagate ethnocentric behaviors in their pursuit of intercultural gaze (Clark, 2021). Volunteer tourism influenced by cultural stereotypes and ethnocentric attitudes provides volunteers with distorted motivations for interactive learning. This unfair advantage contributes to the imbalance of power exercise in volunteer tourism (Steele & Scherrer, 2018). Consequently, these skewed perspectives of international volunteer tourists culminate in misinterpreting the local cultural traditions and values and further affect the processes of intercultural assimilation and sensitivity (Thompson et al., 2020).

To begin with, international volunteers are often opposed to their stereotypes and privileges (Kipp et al., 2021). However, volunteer tourism practices continue to perpetuate the stereotypes that potentially reinforce misconceptions of the local cultural practices (Guttentag, 2009). Stereotype-driven misunderstandings often constrain volunteers' perspectives, impeding their ability to adopt alternative viewpoints regarding local cultural values. Volunteer tourists are, therefore, encouraged to develop an understanding of the local cultural values and norms (Raymond & Hall, 2008). However, they argue that acquiring

a comprehensive intercultural understanding within a short span of time is a formidable task. They insist that gaining a profound insight into intercultural traits demands sustained engagement and perseverance. The preconceived notion of volunteer tourists inadvertently fosters misunderstanding and uncertainty as well as engagement in undefined roles and responsibilities (Lyons, 2003) as their engagement with the local cultural groups is transitory. Under such circumstances, volunteers tend to impose their stereotypes (Park, 2018).

Next, there are negligible studies on cross-cultural interaction within volunteer tourism from ethnocentric perspectives. Few studies highlight the prevalence of the ethnocentric character of international volunteer tourism. Ethnocentrism, characterized by the inclination of individuals to perceive their own culture and ethnicity as superior, informs the actions and motivations of volunteer tourists. It represents the situation where the individual world remains unchallenged and is perceived as the central perspective governing all aspects of reality (Bennett, 1986). Defensively, individuals commonly resort to negative stereotyping and the presumption of cultural superiority (Kirillova et al., 2015). These attitudes can reinforce stereotypes and perpetuate misconceptions about the host community and its cultural values.

The discourses in international volunteering abound in the time factor to address the issues of outcomes resulting from stereotypes and ethnocentric positions. The theory of intercultural sensitivity states that the transition from the ethnocentric stage to the ethnorelative stage (Bennett, 1986) needs to pass different stages of having a preconceived worldview to acknowledging a distinctive reality (Holm et al., 2009) to nurture intercultural sensitivity. In the volunteer tourism context, the theory maintains that the transitional phase in intercultural sensitivity is longer than expected and thus requires long-term interaction to nurture sensitivity. Supporting this assertion, a study of Priest et al. (2006) in Mexico demonstrates that short-term volunteering led to only temporary progress in ethnocentric behavior and perception. They suggest that short-term exposure to a new culture does not lead to greater understanding; however, it holds the potential when it is combined with context-friendly learning opportunities and direction. Similarly, Hill's (2013) study revealed that there was no discernible correlation between the duration of intercultural interaction and the level of ethnocentrism. Despite the paucity of research on ethnocentrism relating to volunteering, these two studies examine the relations between the passage of time and changes in ethnocentric attitudes. They illustrate that time is an irrelevant element.

Given the time constraint about ethnocentric attitudes in volunteer tourism, Ibrahim et al. (2020) postulate that volunteer tourists working in multicultural environments need to neutralize their ethnocentric and stereotyped values to capitalize on the learning opportunity. Their stance is founded on the belief that gaining insightful experiences far

outweighs the conceded preconceived notions. This can be achieved even within a brief timeframe. This insightful learning can improve intercultural understanding. Recognizing the predominance of ethnocentrism in volunteer tourism, Kirillova et al. (2015) emphasize the importance of consistent and efficient mutual interaction in achieving this objective. Even a short period may produce justifiable results, but unwavering effort and proficient execution hold the key. Efficient planning and undeterred interaction may address the time constraint of ethnocentric behavior and unequal power.

The growing body of studies, in recent times, highlights the increasing challenges of asymmetrical power dynamics in cross-cultural environments (Mensah et al., 2021; Steele & Scherrer, 2018). For example, Godfrey et al. (2020) found that volunteer tourists may impose their cultural norms and values which, in turn, overshadow the local cultures and traditions due to an imbalanced power structure. This enforcement of foreign cultural practices undermines the local cultural values and heritage. According to Wearing et al. (2013), volunteer tourists, especially gappers, fail to acknowledge their privileged position within significant power imbalance and unwittingly uphold neocolonial practices. It is, partly, the result of a cursory awareness of local culture and dualistic perspectives. Through the lens of a binary worldview and an overly simplistic perspective, their actions could inadvertently influence the local cultural norms (Smith et al., 2013). These dichotomous perspectives and privileged positions hinder the cultivation of immersive engagement with the local community, thereby impeding the ability to understand and embrace cross-cultural values for cross-cultural interaction.

Similarly, short-term assignment of volunteer tourism has also been problematic in developing cross-cultural understanding. The temporary involvement offers volunteer tourists a restricted window for cultural immersion, and it precludes them from acquiring a deeper level of local knowledge and insights (Lee & Zhang, 2020). The lack of immersive knowledge of local cultural practices could reinforce their unequal power and impose their values on the host cultural groups (Godfrey et al., 2020). As a result, they sacrifice the opportunity for an immersive experience, adaptive engagement, and mutual interaction with the host community; all of these constitute pivotal dimensions of volunteer tourism essential for cultivating mutual cross-cultural interaction and sensitivity.

Individual Factors Influencing Intercultural Sensitivity

Intercultural sensitivity in volunteer tourism remains a subject of contention as it is inherently subjective in nature. For instance, Lee and Zhang (2020) argue that personality traits and commitment primarily make a difference in cultivating intercultural sensitivity. Individual character is an abstract concept that differs from person to person. Depending upon their inherent character, volunteer tourist commits to enriching their cross-cultural sensitivity.

A positive disposition with a sincere pledge supports volunteer tourists to augment cross-cultural understanding. The findings of Fan et al. (2022) indicated a strong correlation between the quality of engagement and extent of interaction within the volunteer tourism context and subsequent changes in intercultural sensitivity. It encompasses both favorable and adverse shifts. These recent studies highlight two things for improved cultural sensitivity: one emphasizes the time and energy one pledges to enhancing the cognitive level of intercultural sensitivity while the other underscores the quality of engagement, communication, and exchanges between international volunteer tourists and the host population. Intercultural sensitivity, therefore, necessitates both commitment and quality of interactions in a volunteer tourism-friendly environment—it generates a significant potential for mitigating the negative effects on intercultural insensitivity.

A privileged position influences the level of sensitivity in volunteer tourism. The privileged positions provide volunteer tourists with the chance to amass affluence and possessions. Showcasing these possessions within underprivileged communities presents an intricate challenge that impacts mutual intercultural understanding. This demonstration effect (Wall & Mathieson, 2006) is particularly reflected in cultural appropriation in the underprivileged host community. For example, the study of Lee (2020) in Mongolia also revealed that senior local citizens expressed serious concern about demonstration effects, especially on local youth—loss of the local cultural practice is their expressed apprehension. While this ‘demonstration effect’ may appeal to a few of the community members, it can ultimately have a sustained effect on the cultural norms and sensitivity of the host.

Similarly, Gascon’s (2019) study demonstrates that the presence of international volunteers, their behavior, and cultural practices inside the local community domain may expedite the adoption of foreign culture. Experiencing the erosion of local cultural values under foreign influences is culturally a troubling phenomenon as it may potentially disrupt long-held cultural traditions across generations and exert pressure on the community fabric. Matthes (2016) considers this cultural appropriation “morally problematic.” It is particularly a matter of concern for those in the Global South community. Furthermore, this “demonstration effect” impacts the outlook of the Global South communities. It leads to the misperception that their visitors are cultured, prosperous, well-informed, and technologically advanced, in contrast to visitors’ perception of communities as traditionally underprivileged and lacking in technological sophistication (Wearing & McGehee, 2013). This phenomenon is further exacerbated by the infiltration of culturally insensitive volunteer tourists and media that penetrate the personal spaces of residents (Butler, 1990). These assertions suggest that, despite volunteer tourism’s stated goal of advancing mutuality in cross-cultural experience, significant negative effects prevail in interactive learning and sharing responsibilities.

Likewise, relationship building is important for both volunteer tourists and the host community for mutual cultural interaction. However, specific volunteer objectives can significantly impede the establishment of meaningful relationships. For instance, the pursuit of "hedonistic pursuit" (O'Reilly, 2006) and the self-centric aspirations (Sin, 2009) run counter to the overarching ethos of volunteering. These motivations deviate from the objectives of fostering mutual understanding and learning in the volunteer tourism, thus presenting a daunting barrier to the cultivation of harmonious relationships and the development of intercultural sensitivity. Hedonic consumption in volunteer tourism can be defined as a 'multisensory and emotive aspect of consumer experience' (Malone et al., 2014, p. 2). While some studies of hedonistic volunteering have shown some positive effects on environmental conservation volunteering (Nisbett & Strzelecka, 2017) and improving intercultural understanding through the quality and frequency of mutual interaction (Kirillova et al., 2015), it constitutes a paradoxical endeavor within the realm of ethical travel (Buckley, 2012) as the pursuit of personal aspirations and self-fulfillment while engaging in volunteering to generate a positive influence on the community presents an inherent incongruity. The ethical practice of "mutual gaze" (Maoz, 2006) in volunteering is directly challenged by the idea of "self". The concept of mutual gaze promotes a reciprocal exchange of cultural ideas and experiences that improve intercultural understanding and relationships.

Strategies for Promoting Intercultural Sensitivity

In light of the mounting criticism directed towards volunteer tourism practices in the Global South, academics and practitioners have started responding to this criticism with strategies and alternative approaches to effectively address the ensuing challenges, with a specific emphasis on enhancing intercultural understanding. Wearing et al. (2017) underline the idea of partnership as a mitigating strategy and argue that volunteer tourism as a partnership between volunteers and destination communities is one of the effective win-win strategies. They affirm that through collaborative partnership, meaningful intercultural interactions are cultivated by challenging the current paradigm of volunteer tourism. The imperative lies in fostering a synergistic partnership among key stakeholders, a vital step towards ensuring the sustainability of volunteer tourism in general and intercultural understanding in particular (Eckardt et al., 2022). This further serves to prevent project failure (Dickey et al., 2020).

This approach extends beyond modernist development frameworks by avoiding the measurement of volunteer tourism under development assistance objectives and commodified activities (Wearing et al., 2017). Ideally, collaborative partnership recognizes the values and practices of intercultural differences and promotes mutuality. Bowan and Dallam (2020) highlight the relevance of partnership in mutual learning and recognize the significance and strength of local community participation for positive

change. The collaborative partnership in volunteer tourism necessitates a deliberate consideration of local priorities. It aims to foster a sustainable community and its well-being as sustainability is inherently interlinked with the mutual success of both volunteer tourists and the host communities (Lee & Zhang, 2020). More specifically, the sustainability of the collaborative partnership rests on capacity sharing, trust in people's knowledge, and co-creation of practices and critical consciousness through dialogue and interaction (Higgins-Desbiolles et al., 2022).

Other crucial strategies highlighted for enhancing cross-cultural understanding include controlling the size of volunteer groups (McGehee & Andereck, 2009), matching the talents of the volunteers (Butcher & Smith, 2010), and promoting volunteer tourism as educational travel (Raymond & Hall, 2008). The synergistic partnership with decommodified volunteer activities supporting the local interest cumulatively nurtures intercultural understanding. As a strategy, the collaborative partnership is achieved when a particular program, such as orientation and training, is integrated into a more comprehensive approach to international volunteer tourism.

Pre-Departure Training and Orientation

In most circumstances in volunteer tourism, travelers experience cultural disorientation and struggle to assimilate within the local cultural groups. Ineffective pre-departure training is frequently attributed to the failure of cross-cultural adaption in the local cultural settings and the projects (Daher, 2019). It can serve as a protective barrier that offers a more nuanced opportunity of understanding the challenges volunteers may encounter. It includes essential components (Kalbarczyk et al., 2019), such as educating and sensitizing potential volunteer tourists on cultural differences, values, and belief systems. Enhanced cross-cultural sensitivity and ethical behavior facilitated by pre-planned training reinforce the smoother transition and adaptation process within the host cultural groups (Poulligny et al., 2007). Inadequate of such pre-trip training often results in negative consequences, particularly for the host community (Benntele, 2023). Its negative effects are reflected in cross-cultural interaction. Such training helps develop a sense of intercultural sensitivity and equips volunteers to resolve the issues despite their different worldviews. The findings of Kalbarczyk et al.'s (2019) study emphasize that such training programs need to be conducted in partnership with the local organizations that receive volunteers.

Similarly, pre-departure training offers essential resources and a foundational framework for an effective transition into a new cultural environment (Brion, 2020). This is a critical dimension for fostering intercultural interaction. With the essential structure and base in place, volunteers get easier passage to acclimatize to the new cultural environment (Schwartz et al., 2021). The effective adaptation is, thus, attributed to the access to resources volunteers receive in pre-trip training.

Notwithstanding the evident importance and pressing need for pre-departure training and orientation to foster cross-cultural interaction, there remains a notable dearth of substantial empirical inquiries delving into the potential implications of such preparatory measures, especially in volunteer tourism (Rowan-Kenyon et al., 2019). Few studies have attempted to study its significance. For example, the studies of Schwartz (2019) and Kalbarczyk (2019) highlight the necessity of pre-departure training for volunteer tourists on potential local community and its cultural practices and values. This gap is rather unexpected since pre-trip training is vital to enable interactive cross-cultural volunteering (Piacitelli et al., 2013). The pre-trip orientation is indispensable for information and a basic understanding of contextual environment and culture of the destination community which eventually determines post-trip results (Niehaus & Rivera, 2016; Rockenbach et al., 2014).

Similarly, it educates and sensitizes volunteer tourists on local cultural sensitivity and values (Rowan-Kenyon et al., 2019; Grabowski et al., 2016). Volunteers with informed knowledge and cultural awareness ‘set the tone’ for ethical behavior in the placement (Fechter & Hindman, 2011). Setting a tone with awareness places volunteer tourists in a comfortable position for insightful and mutually interactive cross-cultural understanding. This is the reason pre-departure training plays a significant part in this endeavor. McCaffery’s (1986) recommendation for pre-departure training and orientation for volunteer tourist as an essential component in volunteer tourism remains still relevant. He asserts that cross-cultural training and orientations to volunteer tourists become ineffective if these trainings are not treated as educational discipline driven by the goal of producing constructive results from cross-cultural interaction. The pre-departure training conducive environment for cross-cultural interaction and prepares volunteers with the tools necessary for immersive learning and developing intercultural sensitivity.

Cross-cultural Immersion

On many occasions, the prospect of immersive cross-cultural interaction captivates the imagination of international volunteer tourists. However, they are often impelled predominantly by self-centric incentives including aspiration for cross-cultural immersion, the allure of experiencing new countries, or ambitions of enhancing personal growth and development (Proyrungroj, 2020). Some self-centric volunteers prefer shallow immersion as they aspire just to experience the cultures and geography and attempt to circumvent the deeper immersion. Other volunteer tourists are willing to learn, appreciate cross-cultural understanding, and attempt to adapt through enhanced cross-cultural sensitivity. Unguided and self-motivated endeavor to assimilate into a new and complex cross-cultural environment allows volunteer tourists little impetus to nurture intercultural understanding.

Such an opportunity to experience diverse cultures provides volunteer tourists with the ability to foster intercultural awareness. Immersion in the local cultural environment promotes a deeper awareness of cultural practices which, consequently, improves cross-

cultural understanding (Wearing, 2001). Inquisitiveness and the quest for knowledge new experiences, people, places, and cultural practices provide them with the prospect to immerse and interact with the local environment in a more meaningful way (Brown & Lehto, 2005). The immersive volunteering allows volunteer tourists to interact with mutual learning and facilitates the gradual assimilation within the local cultural groups. The attainment of this adaptation process occurs when volunteers undergo a stage of immersion, exposing them to anticipated shock, stress, and anxiety (Lough, 2011; Ogberg, 1960).

An affirmative intent to embed and learn the cross-cultural practice results in a deeper level of cross-cultural immersion. Volunteer tourism offers this immersive cross-cultural understanding in a new cultural environment (Vodopivec & Jaffe, 2011; Wearing, 2001). It typically involves exchanging and sharing cross-cultural experiences and knowledge. In a more precise context, cross-cultural immersion inherent in volunteer tourism establishes a favorable milieu that nurtures the growth and development of both volunteer tourists and the host population. Volunteer scholars (Guttentag, 2009; McGehee, 2008) emphasize this positive socio-economic value linked to cross-cultural immersion. Their argument revolves around the short-term nature of volunteer tourism programs, suggesting that their immersive yet short-term engagement with the local host community is less likely to engender a cycle of dependency and antagonism within the local labor force. Cultural immersion is defined as a process of assimilation wherein volunteers interact, share, and recognize the intrinsic value of the local community (Everingham & Chassagne 2021). To accomplish this objective necessitates concentrated efforts to cultivate foundational understanding, consciousness, and a genuine appreciation for shared values and nuanced differences (Smolcic & Katunich, 2017). By truly valuing cultural differences in values and practices, volunteers can enhance the prospect of fostering intercultural sensitivity.

However, three key elements hold the potentiality for adverse consequences: (1) representing poverty and underdevelopment as prevailing occurrences, (2) exerting undue influence on local culture, and (3) providing limited and inadequate opportunities for meaningful interaction. These circumstances inevitably result in cross-cultural misunderstanding (Guttentag, 2011; Sin, 2009). In the context of the volunteer tourism industry, these reasons stand as undeniable realities.

Nevertheless, deeper cross-cultural immersion can mitigate unintentional intercultural misinterpretation. It is, therefore, paramount to promote and encourage the practices of intercultural immersion in the volunteer tourism industry, thereby improving the quality of cross-cultural encounters (Fence & Bell, 2004). Immersion in volunteering plays a pivotal role in cultivating cross-cultural interaction, promoting empathetic perspectives, and contextual insight, and challenging the assumptions of volunteers.

In the end, these immersive processes foster intercultural sensitivity. Such immersion not only aligns with the fundamental objective of volunteer tourism by transcending mere experiential engagement but also serves as a conduit for structured cross-cultural interaction (Raymond & Hall, 2008). Structured pre-departure training with educational purposes facilitates immersive intercultural learning in a cross-cultural environment.

Conclusion

Set within the context of cultural sensitivity in volunteer tourism, this review offers crucial insights into the central concerns surrounding intercultural dynamics for seamless cross-cultural assimilation, immersion, and mutual interaction with the destination communities. The review underscores the critical impact of cultural stereotyping, ethnocentric behaviors, volunteers' self-centric behaviors, and the lack of meaningful local participation in volunteer tourism programs as key determinants shaping cultural sensitivity. Furthermore, the absence of effective pre-departure training and orientation for volunteers regarding local cultural values and practices, coupled with evident absence of local voices in co-creating knowledge, is conspicuously apparent. These deficiencies pose significant challenges to fostering meaningful cross-cultural interactions. Recognizing and understanding the cultural sensitivity of host communities is paramount for both international volunteers and organizations aiming to enhance the efficiency and effectiveness of volunteering practices. This understanding is pivotal for facilitating the smooth assimilation and adaptation of volunteers within and meaningful contribution to grassroots communities

To address these complex challenges of intercultural sensitivity inherent in volunteer tourism practices, various strategies have been proposed, including positioning pre-departure training as an educational discipline and fostering collaborative partnerships in the co-creation of volunteer tourism experiences and knowledge. Nevertheless, empirical evidence indicates a conspicuous gap between these suggested strategies and their implementation in practice. Despite their potential to enhance the effectiveness of volunteer tourism, these recommended approaches appear to be consistently overlooked or underutilized in the practice, necessitating a closer examination of the factors contributing to this disjunction between theory and application.

The cultural sensitivity framework posits that volunteer tourists necessitate an extended period to cultivate intercultural sensitivity. However, empirical evidence reveals an absence of correlation between the duration of time spent volunteering and the development of cultural sensitivity, challenging the relevance of temporal factors. Instead, the evidence underscores the imperative for volunteer tourists to counteract ethnocentric and stereotyped values as a means to reinforce intercultural sensitivity. This paradigm shift not only dispels the notion of a time-dependent progression but also highlights the

pivotal role of mitigating preconceived biases in fostering an environment conducive to profound and insightful cross-cultural learning opportunities.

For the meaningful volunteer tourism practice, the challenges posed by intercultural sensitivity are undeniable, and various strategies have been proposed to address them. It is essential to acknowledge, however, that this review, while insightful, is not exhaustive in its analysis. Certain cultural nuances and regional cultural values and practices may not have been fully explored due to constraints within the existing literature. Future research endeavors should delve more deeply into exploring the opinions and experiences of grassroots communities belonging to diverse regional cultural groups. This exploration should extend to devising effective strategies aimed at mitigating the impact of cultural insensitivity in the volunteer tourism. The significance of this inquiry transcends the boundaries of volunteer tourism as it contributes substantively to the broader discourse on intercultural competence and cross-cultural understanding, both in research and the practical implementation of volunteer tourism initiatives. This comprehensive review sheds light on the intricate yet symbiotic relationship between volunteer tourism and cross-cultural sensitivity. It accentuates the necessity for further investigations into local cultural insights, particularly from the perspectives of diverse grassroots communities of the Global South. Additionally, it emphasizes the urgency of developing programs that conscientiously consider local cultural values and interests. This approach is pivotal for optimizing the meaningful and positive outcomes of international volunteer tourism initiatives.

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Position and Trends of Resource Gap in Nepal

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Abstract

Nepal's budget shortfall stems from excessively high recurring expenses, constituting over 60% of the government's total spending. Conversely, capital expenses linger below 20%. This imbalance highlights an unfriendly stance towards growth in the budget deficit, necessitating reduction. This study has examined the position and trends of resource gap in Nepal for which the source of the data used in the analysis was secondary. The data has been collected for the period 1986-87 to 2021-22 from the Central Bureau of Statistics (CBS) under the National Planning Commission (series of GDP). Descriptive statistics and trend analysis is used for secondary data analysis. A Statistical Package for Social Sciences (SPSS) software was used for data analysis for the study. The results revealed that Nepal is facing huge resource gap because of inability to raise revenue in comparison with the growing expenditure. To finance this huge resource gap the government is taking loans – both internal and external. Net outstanding public debt is increasing significantly. Government efforts should be placed on the mobilization of domestic resources for financing regular and development expenditure because foreign loan may be a great burden to the future.

Keywords: *Resource Gap, Budget Deficit, Position, Trends*

Background of the Study

A typical problem which always arises in a developing country like Nepal while framing a development strategy is how much tax revenue the country can reasonably expect to raise and from what source and means this should be made available without producing excessive burden for the society. This is particularly important in the context of the critical resource gap that developing countries are facing today. In order to reduce the level of the wide resource gap, the conventional approach is to depend on internal and foreign loan to finance deficit. Foreign loans in developing countries exhibit high economic sensitivity and unpredictable political implications, contributing to heightened inflationary pressures. Thus, taxation is the only effective source to deduct resource gap (Dahal, 1993).

The magnitude of the foreign loan and grants in Nepal is estimated to exceed fifty percent of the total plan outlay during Sixth Plan Period (1980-81 to 1984-85) which

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is still above one third during fifteenth plan period (2019-20 to 2023-24). In developing countries like Nepal taxable capacity is low due to low level of saving resulting from high marginal propensity to consume, and therefore, creating a resource gap (Dahal, 1983). So, greater efforts should be placed on the mobilization of domestic resources for financing development programs because foreign loan may be a great burden to future generations.

Krivine (1968) in conference on fiscal and monetary problems in developing nations presented that the developing countries encountered varying and different obstacles. African countries lacked a significant cultural base whereas south Asian countries had a strong cultural base and also viable social structure but were hampered by a population that is excessive concerning their land and capital resources. There was also a lack of education.

In this connection, it can be argued that whether it is the case of expansion in education or of social reform and birth control or a case of increase in industrial and agricultural productivity, the argument for a higher level of saving and capital formation with a higher level of investment still exists in capital scarce countries. It is primarily due to low saving and investment that the capital inflow in these countries is very high where 30 to 50 percent of the total plan outlay is financed by bilateral and multilateral loans and grants. Internal resources have an extremely limited scope to mitigate the growing need of hungry millions of the less developed countries. The problem of capital formation has become acute and the prospects for increased foreign capital. This situation has led to an alarming resource gap in the least developed countries (Dahal, 1983).

Dahal (1984) in the research found out that during the last 19 years i.e. from 1964-65 to 1982-83 the average annual growth rate of the resource gap was 20 percent which was an increase from Rs.157.5 million in 1964-65 to Rs. 1673 million in 1982-83. It increased by more than thirty times during the last nineteen years period. In this connection it can be concluded that Nepal has been suffering from a serious financial lack of tranquility during the past few years of the study period.

Bajracharya (1990) in the study stated that budget deficit which is difference between revenue (including foreign grants) and expenditure (both current and development) increased from 3% to 9% of GDP. This is because of inability to raise revenue in comparison with the growing size of expenditure. From the study, the researcher concluded that revenue of the government only increased from 11% to 14% of GDP while total expenditure of the government increased from 13.6% to 20.7% of GDP.

Resource Gap is the difference between expenditure and revenue plus foreign aid (grant or loan) plus internal borrowings, known as the overall deficit. To finance the acute resources gap external loans and internal resources were used where external loans financed 32% to

86% of total deficit while internal resources financed 14% to 68% during the study period. It showed that the share of external loans was higher than that of internal resources.

Dahal, (1993) in the study stated that Nepal is facing a serious problem of resource gap and dependency on foreign aid and loan. The widening resource gaps: revenue-expenditure, saving-investment, and import-export gaps of the country have further affected the level of macroeconomic stability of the country.

Nepal's budget deficit is due to an outrageous recurrent expenditure which makes up more than 60 percent of total government spending. In contrast, capital expenditure remains below 20 percent. This shows that the budget deficit is not growth-friendly and needs to be reduced (Pokharel, 2023).

K.C. (2012) in the study stated that in the process of economic and social development, the governments in a majority of developing countries have not only assumed the principal responsibility for the control and direction of the growth of their economies but had also increased direct participation in the development process. As a result, public expenditures-current and investment – have grown rapidly. Since a substantial part of government revenue is derived from taxation and other compulsory levies, taxation has to provide funds not only for the financing of non – revenue yielding services but also a large part of the savings for capital formation.

Rana (2008) in the PhD. dissertation states that Nepal's tax system lacks simplicity and transparency. With the changing functions of taxation in a developing economy like Nepal where there are no discovered mineral resources, no direct access to the sea for the expansion and diversification of international trade, insignificant industrial development, and where the agricultural sector is largely at the subsistence level, taxation has a significant role to play in the acceleration of economic development. Therefore, there is a big challenge for developing an appropriate strategy for taxation and ensuring effective resource mobilization for reducing acute resource gap.

In reality, Nepal's tax system lacks simplicity and transparency. This is a big challenge to develop an appropriate strategy for taxation and ensuring effective resource mobilization to reduce the acute resource gap.

Statement of the Problem

In a developing country like Nepal, there is a necessity for raising a larger volume of funds for the development and administration expenses. Average growth rate of expenditure over revenue during 1986-87 to 2021-22 is increasing. The purpose of taxing efficiently is to achieve fiscal policy goals, i.e. delivery, redistribution, and stabilization in the most

efficient way, thus reducing undesired distortions, reducing the cost of collecting taxes, and promoting economic growth (Thaci & Gerxhaliu, 2018). Tax efficiency and especially the tax structure explained role in achieving economic growth and fiscal consolidation (Stoilov & Patonov, 2012). Direct and indirect taxes should be countered by balancing each other. However, in developing countries like Nepal, direct taxes have limited space and thus indirect taxes have a more important role.

Nepal is facing a serious problem of resource gap and dependency on foreign aid and loan. The widening resource gaps: revenue-expenditure, saving-investment, and import-export gaps of the country have further affected the level of macroeconomic stability of the country (Dahal, 1993)

Nepal with a per-capita income of \$1,090 (World Bank, 2020) is one of the poorest, least developed, and slowest economically moving countries in the world. One-fourth of the population has their expenditure below \$1 per day, the worst position in Asia according to the World Development Report 2018 (The World Bank, 2018).

In Nepal, the revenue-expenditure gap is serious and is broadening and at the same time resulting in larger fiscal and budgetary deficits. Tax potential in Nepal is extremely limited and the tax effort ratio was 14.8 percent in FY 2008/09 in the three year interim development plan, which is fairly below the average of SAARC countries and lowest in the world indicating one of the lowest taxable countries. The most vulnerable situation is how to reduce the increasing critical resource gap facing the Nepalese economy. For the last many years Nepal is in a state of intense shortage of resource gap leading to an incessant increase in the budgetary deficit. The overall budgetary deficit was 10.4 percent of GDP for fiscal year 2017/18 (Economic Survey, 2017/18).

As a result, dependence on external as well as internal borrowings has inordinately increased in the budgetary structure of Nepal. The economic growth of a country depends on the amount invested in developmental activities. If Nepal's budget is analyzed for fiscal year 1986/87 to 2021/22, it can be found that the share of development expenditure is decreasing while the share of regular expenditure is increasing. The situation has reached a point where Nepal has become almost unable to meet even the regular expenditure through internal sources of revenue.

The ever-increasing government expenditure and limited sources of revenue have led the country to several fiscal crises over many years. The share of foreign aids in development expenditure is more than 50 percent for the study period. The burden of foreign debt is increasing yearly. Among the three sources of financing government debt, the share of foreign loan seems to be highest in the deficit financing, which is followed by internal loan and then the change in cash reserves (Bhattarai, 2012).

The main purpose of this research is to address the following question.

- ❖ What is the exact position and trend of the resource gap in Nepal?

Objectives of the Study

General Objective: The objective of this study is to assess and analyze the position and trend of the resource gap in Nepal.

Specific Objectives: This study tries to address the following issues:

1. To analyze the position of resource gap in Nepal
2. To examine the trends of resource gap in Nepal

Limitations of the Study

This study covers the duration of 36 years comprising FY 1986-87 to 2021-22. Unavailability of data for some period may vary the result. Result of the study heavily depends on accuracy and reliability of data provided on Economic Survey of Nepal. Lack of sufficient knowledge, time, and fund constraints are some other limitations of this study.

Research Methodology

Research Design: Research design is the plan and strategy of the research to attain research objectives. This study is descriptive and analytical based on both secondary and primary data.

Data collection procedures and Sampling techniques: The source of the data used in the analysis is secondary. The data is used for the period 1986-87 to 2021-22 from the Central Bureau of Statistics (CBS) under the National Planning Commission a series of GDP and the organizational documented materials and different publications as well as reports on the Tax Administration Departments, Ministry of Finance (MoF) and Statistical Bulletins and Websites.

Method of Data Analysis

After the researcher made discussions with some experts about the proposing research deeply, and reviewed the related literature, the data has been edited to correct possible errors and omissions that are likely to occur, to ensure consistency. A Statistical Package for Social Science (SPSS) software formed the main data analysis tool for the study.

This study used the following method for data analysis:

a) Statistical analysis

- ❖ Descriptive analysis

Resource Gap is the difference between expenditure and revenue plus foreign aid (grant or loan) which is also known as the budget deficit. It represents the total excess of

expenditure over revenue for all government entities (Bhatia, 2012). Nepal has been experiencing a massive resource gap in recent years.

So,

Resource Gap = Tax Revenue + Non Tax Revenue+ Foreign Aid – Regular Expenditure – Developmental Expenditure – Interest and Loan Repayment

To make a comparative study and to identify the actual critical point where the budget deficit problem was acute, the period from 1986/87 to 2021/22 in the study, has been divided into three phases on judgmental basis:

- The period from 1986/87 to 1999/00 is term as the first phase for the study i.e. period before 21st century.
- The period from 2000/01 to 2010/11 is also known as the second phase for the study i. e. 1st decade of 21st century.
- The period from 2011/12 to 2021/22 is also known as the third phase of the study period i. e. remaining period.

b) **Trend analysis**

Trend Analysis is a statistical tool that helps to determine the future movements of a variable based on its historical trends.

Formula

The linear trend model is:

$$Y_t = a_0 + a_1 t + e_t$$

Where,

- a_0 the constant
- a_1 average change from one period to the next
- T value of the time unit
- e_t the error term

Discussion and Findings

If the expected amount of revenue is smaller than the estimated volume of expenditure the resource gap is likely to increase further. Resource gap is a big problem in Nepalese economy. There is continuous fiscal deficit in the country because of which government

is continuously taking loan. The net outstanding public debt is increasing significantly over the study period of time. Average growth rate of net outstanding foreign public debt is 21.05% in Nepal (Bhattarai, 2013).

The sources of government revenue can be divided into three major sources. The first one is tax revenue, next one is non-tax revenue and third one is foreign grants. Among these three sources, tax revenue is the major contributor to the total revenue which contributes more than two third of the total revenue. A second major source is non-tax revenue and third one is foreign grants. On an average of study period i.e. 34 years (from FY 1986/87 to FY 2019/20) the contribution of tax revenue to total revenue was 79.61 percent whereas only 11.96 percent was from non-tax revenue and 8.43 percent of total revenue was from foreign grants. By looking at the growth trend of government revenue, it can be categorized to three different phases – the first phase being from the FY 1986/87 to FY 1999/00 in which only 66.87 percent contribution was from tax revenue whereas 18.93 and 14.20 percent were respectively from non-tax revenue and foreign grants. Likewise, FY 2000/01 to FY 2010/11 was categorized as second phase in which contribution of tax revenue to total revenue was increased to 69.55 percent and contribution of foreign grants and non-tax revenue was 16.01 and 14.44 percent respectively. In this phase, the second major source was foreign grant replacing non-tax revenue to third place. Significant changes occurred in third phase where contribution of tax revenue to total revenue reached to 82.97 percent and only 10.88 and 6.16 percent contribution was from non-tax revenue and foreign grant respectively. In this phase, contribution of foreign grants significantly decreased (Appendix 1).

Government revenue which also included foreign grants increased from Rs. 7,258.50 million in FY 1986/87 to Rs. 817,465.40 million in FY 2019/20 which showed the remarkable growth of 11,162.2 percent in 34 years. For the FY 2020/21 and FY 2021/22 government revenue is estimated to be Rs. 986,741 and Rs. 1,214,976.6 million respectively. During the period only in FY 2019/20 there was negative growth of total government revenue because of Covid-19 pandemic. In this year, total revenue decreased by 7.37 percent than previous year than growth rate of 32.76 percent was also achieved in the FY 2008/09 the highest among all. As per the growth pattern, there was very wide fluctuation in the growth rate from the negative 7.37 percent to 32.76 percent during the study period (Appendix 1).

In terms of contribution to GDP, 10 to 13 percent of GDP was total government revenue in the first phase of study period which increased to 13 to 17 percent in the second phase and again increased to 18 to almost 26 percent in the third phase of the study period. Highest being the 25.51 percent of GDP in FY 2018/19 whereas lowest contribution was recorded in FY 1991/92 which is only 10.46 percent of GDP. It was estimated that

for the FY 2020/21 and 2021/22 contribution of total government revenue in terms of GDP was 23.13 and 24.79 percent respectively (Appendix 1).

Being the major sources of total revenue growth, the trend of tax revenue heavily determined the growth of total revenue too. Therefore, the pattern of annual growth rate of tax revenue almost confirmed the growth rate of total government revenue too. While looking at the growth trend of all the major sources the growth rate of foreign grants did not show the definite trend. It showed the more fluctuation than other two sources.

Analysis of Government Expenditure

The expenditure of government can be divided into three major categories. The first one is regular expenditure, next one is development expenditure and third one is financial provisions. Among these three categories the major one is regular expenditure consuming almost two third of the total expenditure. On an average of study period i.e. 34 years (from FY 1986/87 to FY 2019/20) the share of regular expenditure on total expenditure was 62.18 percent whereas only 23.84 percent was share of development expenditure and 13.98 percent was share of financial provisions. By looking at the growth trend of government expenditure it can be categorized into three different phases – the first phase being from the FY 1986/87 to FY 1999/00 in which phase only 30.48 percent was share of regular expenditure whereas 55.59 and 13.93 percent was share of development expenditure and financial provisions respectively. In this phase, the good thing was share of development expenditure was almost double than share of revenue expenditure. Likewise from FY 2000/01 to FY 2010/11 was categorized as second phase in which share of revenue expenditure to total expenditure was increased to 59.56 percent and share of development expenditure and financial provisions was 29.37 and 11.07 percent respectively. In this phase, the most important things to observe were regular expenditure almost double than development expenditure. A significant change occurred in this phase in terms of share. In the third phase, where share of regular expenditure to total expenditure reached to 65.27 percent and only 20.02 and 14.70 percent share was of development expenditure and financial provisions respectively. In this phase also share of development expenditure significantly decreased (Appendix 2).

Government expenditure which also includes financial provisions increased from Rs. 11513.20 million in FY 1986/87 to Rs. 1167073.80 million in FY 2019/20 which showed the remarkable growth of 10036.83 percent during 34 years. For the FY 2020/21 and FY 2021/22 government expenditure is estimated to be Rs. 1,474,645.40 and Rs. 1,647,576.70 million respectively. During the period only in FY 2001/02 there was low growth of total government expenditure. In this year, total expenditure increased by only 0.30 percent than previous year. Otherwise, growth rate of 39.30 percent was also

achieved in the FY 2016/17, the highest among all. As per the pattern of growth, there was very wide fluctuation in the growth rate less than one percent i.e. (0.30) percent to 39.30 percent during the study period (Appendix 2).

In terms of share of GDP, 17 to 20 percent of GDP was total government expenditure in the first phase of study period which increased to 22 percent in the second phase and again increased to almost 22 to 36 percent in the third phase of the study period. Highest being the 35.87 percent of GDP in FY 2017/18 whereas lowest share was recorded in FY 2003/04 which is only 16.66 percent of GDP. It has been estimated that for the FY 2020/21 and 2021/22 share of total government expenditure in terms of GDP was 34.56 and 33.61 percent respectively (Appendix 2).

Being the major category of total expenditure, growth trend of regular expenditure heavily determined the growth of total expenditure too. The pattern of annual growth rate of regular expenditure almost confirms the growth rate of total government expenditure. While looking at the growth trend of all the major categories the growth rate of development expenditure did not show the definite trend. It showed the more fluctuation than other two categories which is not good for country's economy.

Analysis of Position of Resource Gap (Budget Deficits)

Government budget deficit has increased considerably since 1986/87 to 2021/22. The amount of budget deficit, which stood at Rs. 4,254.7 million in FY 1986/87 increased up to Rs. 349,608.40 million in 2019/20 – a remarkable increase of 8,117 percent during the period of 34 years. Annual growth rate of deficit, however, does not show any smooth and steady trend. It fluctuated widely between declines by 50.91 percent in FY 2012/13 to an increase by as high as 148.92 percent in 2014/15. There is a continuous budget deficit in the country except in twelve fiscal years, viz. 1989/90, 1993/94, 1994/95, 1999/00, 2002/03, 2003/04, 2009/10, 2011/12, 2012/13, 2015/16 and 2018/19 (Appendix 3).

In terms of GDP Government budget deficit is around 5.82 percent of GDP which is an average of the whole study period and fluctuated between 1.56 percent and 10.42 percent of GDP for the study period. Lowest budget deficit is 1.56 percent of GDP in FY 2012/13 whereas it reached to 10.42 percent of GDP in FY 2017/18 which is the highest for the study period. It was estimated that in FY 2020/21 it was 11.44 percent and in FY 2021/22 it was 8.83 percent of GDP (Appendix 3).

Because of increase in government regular expenditure tremendously (compulsion of increment in employee's salary which increases almost every year) and compulsion of expanding infrastructural facilities, social services, and economic services for economic

development of the country rate of increase in total government expenditure is very high compared with rate of increase in government revenue. In the first phase of the study period (1986/87 to 1999/00) average revenue growth was 16.68 percent and average expenditure growth rate was 14.78 percent while in the second phase of study period (2000/01 to 2010/11) it was 15.89 percent and 14.94 percent and in the third phase of study period (2011/12 to 2019/20) it was 15.06 percent and 17.06 percent. Likewise, average increase in budget deficit for the first phase was 13.06 percent, 13.72 percent for second phase and 38.75 percent for the third phase of the study period. The apparent cause for the increase in deficit was smaller increase in revenue compared to higher rate of increase in government expenditure. While analyzing phase wise, increase in government revenue was in decreasing trend whereas increase in government expenditure was in increasing trend so that the budget deficit increased in higher percentage in recent years (Appendix 3).

In terms of GDP also, in the first phase of study period (1986/87 to 1999/00) average revenue to GDP growth was 12.29 percent and average expenditure growth rate was 19.07 percent while in the second phase of study period (2000/01 to 2010/11) it was 15.05 percent and 19.26 percent and in the third phase of study period (2011/12 to 2019/20) it was 22.14 percent and 27.49 percent. Likewise, average increase in budget deficit to GDP for the first phase was 6.78 percent, 4.22 percent for the second phase and 5.35 percent for the third phase of the study period. The apparent cause for the increase in deficit was smaller increase in revenue in terms of GDP compared to higher rate of increase in government expenditure in terms of GDP (Appendix 3).

It was estimated that for the FY 2020/21 there was 39.56 percent increase in budget deficit and for the FY 2021/22 there was estimation to decrease by 11.34 percent. Share of total budget deficit in terms of GDP for the FY 2020/21 was estimated to be 11.44 and for the FY 2021/22 it was 8.83 percent. The unusual increase in budget deficit during the preceding years might make the government more cautious in expenditure management. For this fiscal policy was directed to raise more revenue and control the expenditure to a sustainable level. Because of all those activities revenue will be raised and expenditure will be reduced so that for fiscal year 2021/22 it was estimated that budget deficit will reduce significantly than previous years (Appendix 3).

Financing of Budget Deficit

Worldwide budget deficit have been financed by internal as well as external borrowing. In Nepal also government budget deficit is financed by internal as well as external borrowings. Nepal government is raising debt because of its important effects on the operation of economic system of the country. It helps to collect the resources to the government to meet the gap between the expenditure and revenue.

The research shows that major portion of the budget deficit of the government is financed by the external loan in the first phase of the study period. In an average 66.75 percent of share was occupied by the external loan whereas 33.25 percent of share only was occupied by internal loan. There was lowest share of 57.89 percent for FY 1992/93 and highest share of 81.57 percent for FY 1987/88 for the external loan within the first phase of the study period. But in the second phase of the study period external dependency was gradually decreasing and it came to 20.02 percent for the fiscal year 2008/09 whereas share of internal borrowing was increased to 79.98 percent for the FY 2008/09. For the third phase of the study period, share of external loan was fluctuated mostly. It was 20.60 percent as lowest for FY 2011/12 but 54.56 percent as highest share for FY 2018/19 but it was only 37.37 percent as the average share for entire third phase of the study period which was little higher than the average share of second phase of the study period which was only 33.46 percent. For the FY 2020/21 revised estimate of the share of foreign loan was 33.84 percent whereas estimate for the FY 2021/22 was again ambitiously targeted to 71.5 percent of total borrowing. For entire study period share of foreign loan was 48.20 percent whereas share of internal loan was 51.80 percent almost equal share for financing budget deficit (Appendix 4).

In terms of growth there was average growth of 15.27 percent for foreign loan and 33.53 percent average growth for internal loan for the entire study period. Highest growth rate of foreign loan was 68.37 percent for the FY 2016/17 and lowest growth rate was -40.95 percent for the FY 2002/03. Whereas in case of internal loan growth of 261.05 percent was highest for the FY 2014/15 and -66.20 percent was lowest for the FY 2012/13. From the analysis it can be concluded that internal loan is far more fluctuated than foreign loan. It was estimated that for the FY 2020/21 there was growth of 41.54 percent for foreign loan and 38.56 percent for internal loan. Likewise, growth of 87.34 percent for foreign loan and -61.80 percent for internal loan was estimated for the FY 2021/22 (Appendix 4).

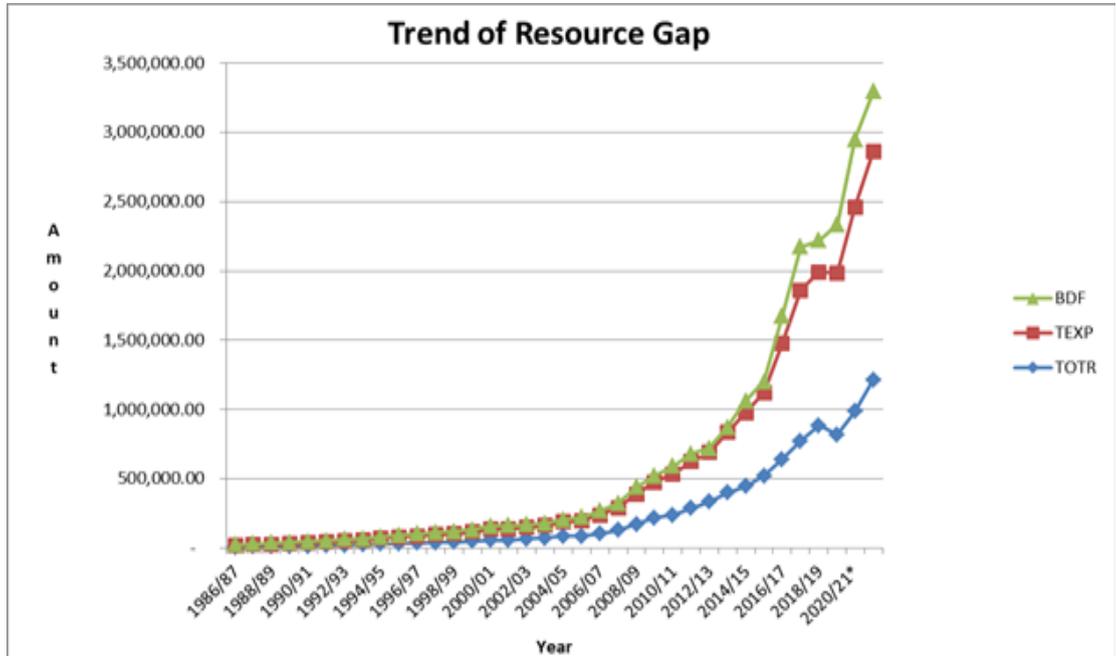
Average percentage of foreign loan in terms of GDP for the entire study period was 2.81 percent and for internal loan it was 2.77 percent almost equal. There was 4.50 and 2.28 percent for the first phase of the study period, 1.40 and 2.81 percent for the second phase and 1.89 and 3.46 percent for the third phase of the study period for foreign loan and internal loan as percentage of GDP respectively. It shows that share of internal loan as percentage of GDP was increasing but same for the foreign loan was decreasing which is good symptom for the economy of the country. For FY 2020/21 foreign loan as percentage of GDP was estimated to be 3.87 percent and for internal loan it was 7.57 percent whereas exactly reverse was estimated for the FY 2021/22 where foreign loan as percentage of GDP was 6.31 percent and for internal loan it was 2.52 percent only (Appendix 4).

Trends of Resource Gap

The trend of budget deficit (resource gap) of Nepal Government for the entire study period of FY 1986/87 to 2021/22 is shown in the trend line.

Figure 1

Trends line of resource gap (Rs. In Million)



BDF- Total Budget Deficit (Resource Gap), TEXP- Total Expenditure, TOTR- Total Revenue

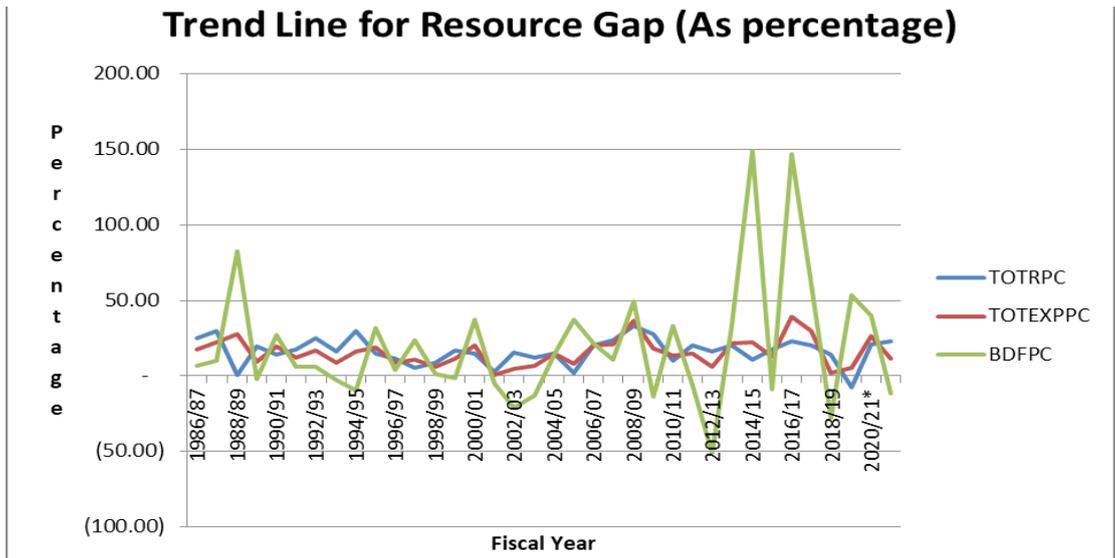
* Revised Estimated Figure

** Estimated Figure

Figure 1 shows increment of budget deficit in three different phases. For the first phase (FY 1986/87-1999/00) it was not showing any big fluctuation but it showed almost constant pattern. Likewise, for the second phase (FY 2000/01-2010/11) it showed little fluctuating pattern but after the FY 2010/11 total expenditure rose immensely because of that in the third phase, budget deficit highly increased and was more fluctuated as well.

Figure 2

Trends of resource gap (In Percentage)



BDFPC- Percentage Change on Total Budget Deficit (Resource Gap), TOTEXPPC- Percentage Change on Total Expenditure, TOTRPC- Percentage Change on Total Revenue

Government budget deficit has increased and fluctuated considerably since 1986/87 to 2021/22. Annual growth rate of deficit, however, does not show any smooth and steady trend. It fluctuated widely between declines by 50.91 percent in FY 2012/13 to an increase by as high as 148.92 percent in 2014/15. Likewise, average increase in budget deficit for the first phase was 13.06 percent, 13.72 percent for the second phase and 38.75 percent for the third phase of the study period. Above figure clearly indicates the fluctuated and increased pattern of budget deficit for the country.

Major Findings

- ❖ There are three major sources of government revenue; tax revenue, non-tax revenue and foreign grants of which tax revenue is the major contributor which contributes to more than two third of the total revenue.
- ❖ By looking at the trend of revenue, expenditure and budget deficit of past thirty four years total period can be divided into three different phases; first phase from FY 1986/87 to 1999/00, second phase from FY 2000/01 to 2010/11 and third phase from FY 2011/12 to 2019/20 according to major changes occurred in Nepalese economic system.

- ❖ The growth of government revenue in past thirty four years was 11,162.2 percent but average growth rate of government revenue within this period was in very fluctuating pattern ranging from negative 7.37 percent to 32.76 percent. On an average government revenue was 15.72 percent of GDP within the study period.
- ❖ Looking at the growth trend of all the major sources of government revenue the growth rate of foreign grants did not show the definite trend, more fluctuating than other two sources.
- ❖ Government expenditure also have three major categories; regular expenditure, development expenditure and financial provisions of which regular expenditure consume was almost two third of the total expenditure.
- ❖ On an average share of regular expenditure was 62.18 percent on total expenditure whereas share of development expenditure was 23.84 percent and share of financial provisions was 13.98 percent for the entire study period.
- ❖ In the first phase of the study period (1986/87 to 1999/00) share of regular expenditure was only 30.48 percent whereas share of development expenditure and financial provisions was 55.59 percent and 13.93 percent respectively.
- ❖ The growth of government expenditure in the past thirty four years was 10,036.83 percent but average growth rate of government expenditure within this period was in very fluctuating pattern ranging from 0.30 percent to 39.30 percent. On an average, government expenditure was 21.36 percent of GDP within the study period.
- ❖ Looking at the growth trend of all the major categories of government expenditure the growth rate of development expenditure did not show the definite trend, more fluctuating than other two sources which are not good for the country's overall economy.
- ❖ Because of increase in government's regular expenditure tremendously (compulsion of increment in employee's salary) and compulsion of expanding infrastructural facilities, social services, and economic services for economic development of the country, rate of increase in total government expenditure is very high compared with rate of increase in government revenue in Nepal.
- ❖ Government budget deficit has increased considerably since 1986/87 to 2021/22. The amount of budget deficit which stood at Rs. 4254.7 million in FY 1986/87 shot up to Rs. 349608.40 million in 2019/20 – a remarkable increase of 8,117 percent during the period of 34 years.

- ❖ Annual growth rate of deficit, however, does not show any smooth and steady trend. It fluctuated widely between declines by 50.91 percent to an increase by as high as 148.92 percent.
- ❖ In terms of GDP Government budget deficit is around 5.82 percent of GDP which is average of whole study period and fluctuated between 1.56 percent and 10.42 percent of GDP for the study period.
- ❖ The apparent cause for the increase in deficit was smaller increase in revenue compared to higher rate of increase in government expenditure. While analyzing phase wise, increase in government revenue was in decreasing trend whereas increase in government expenditure was in increasing trend so that the budget deficit increased in higher percentage in recent years.
- ❖ In terms of GDP also, in the first phase of study period (1986/87 to 1999/00) average revenue to GDP growth was 12.29 percent and average expenditure growth rate was 19.07 percent while in the second phase of study period (2000/01 to 2010/11) it was 15.05 percent and 19.26 percent and in the third phase of study period (2011/12 to 2019/20) it was 22.14 percent and 27.49 percent. That is why, cause of higher increase in deficit was smaller increase in revenue in terms of GDP compared to higher rate of increase in government expenditure in terms of GDP.
- ❖ There are two major sources to finance government budget deficit in Nepal; external loan and internal loan.
- ❖ For entire study period share of foreign loan was 48.20 percent whereas share of internal loan was 51.80 percent almost equal share for financing budget deficit.
- ❖ In the first phase of the study period (1986/87 to 1999/00) in an average 66.75 percent of share was occupied by the external loan whereas 33.25 percent of share only was occupied by internal loan. In the second phase of the study period (2000/01 to 2010/11) external dependency was gradually decreased and it came to 20.02 percent whereas share of internal borrowing increased to 79.98 percent. For the third phase of the study period (2011/12 to 2019/20) share of external loan fluctuated mostly but it was only 37.37 percent as the average share for entire third phase of the study period.
- ❖ In terms of growth, there was average growth of 15.27 percent for foreign loan and 33.53 percent average growth for internal loan for the entire study period.

- ❖ Average percentage of foreign loan in terms of GDP for the entire study period was 2.81 percent and for internal loan it was 2.77 percent almost an equal.
- ❖ By looking at the trend of the budget deficit it was immensely increased after FY 2010/11 and also shows the most fluctuating pattern in comparison with the first and second phase of the study period.

Conclusion

In the process of economic development higher government expenditure is required for various developmental programs which ultimately creates resource gap. To fill the resource gap foreign loan, grants and domestic loans are necessary but these are not the permanent solutions.

Thus, the government revenue in Nepal comes from three major sources: tax revenue, non-tax revenue, and foreign grants, with tax revenue contributing to more than two-thirds of the total revenue. The government expenditure has three major categories: regular expenditure, development expenditure, and financial provisions, with regular expenditure consuming almost two-thirds of the total expenditure. The budget deficit has increased considerably since 1986/87, with the increase in government expenditure being higher compared to the increase in government revenue. The two major sources to finance the budget deficit are external loans and internal loans. In the entire study period, the share of foreign loan and internal loan was almost equal, with external dependency gradually decreasing over time.

Nepal is facing huge amount of resource gap which is because of inability to raise revenue in comparison with the growing expenditure. The apparent cause for the increase in deficit was smaller increase in revenue compared to higher rate of increase in government expenditure. Phase wise analysis of government revenue has shown decreasing trend whereas government expenditure has shown increasing trend so that the budget deficit increases rapidly in recent years. However, during the previous five years of the study period the government made serious efforts to maintain fiscal discipline to decrease fiscal deficit but because of political instability government is almost unable to maintain fiscal discipline and control resource gap.

Government has been taking external as well as internal loan for financing resource gap. Net outstanding public debt is increasing significantly over the time. The average share of external loan is greater than that of internal loan. However, in the later period, the share of internal loan is significantly greater than the external loan.

Recommendations

- ❖ Government efforts should be placed on the mobilization of domestic resources for financing regular and development expenditure because foreign loan may be a great burden to future generation.

- ❖ Over dependency on public debt to finance the huge resource gap would create distortion in the economy as well as heavy burden for future generation. So, policy maker should think about the mobilization of internal resources effectively and efficiently so as to bridge the gap between revenue and expenditure. Increasing internal revenue in the form of tax without giving burden to the taxpayers is the ultimate solution to reduce the resource gap.

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Appendix 1

Analysis of Government Revenue (Rs. in Million)

YEAR	GDPC	TR	NTR	FG	TOTR	TOTRPC	GDPTOTR
1986/87	57,828.00	4,371.70	1,601.70	1,285.10	7,258.50	24.77	12.55
1987/88	73,170.00	5,752.80	1,597.60	2,076.80	9,427.20	29.88	12.88
1988/89	85,831.00	6,287.20	1,493.50	1,680.60	9,461.30	0.36	11.02
1989/90	99,702.00	7,283.90	2,028.90	1,975.40	11,288.20	19.31	11.32
1990/91	116,127.00	8,176.30	2,553.20	2,164.80	12,894.30	14.23	11.10
1991/92	144,933.00	9,875.60	3,637.10	1,643.80	15,156.50	17.54	10.46
1992/93	165,350.00	11,662.50	3,485.90	3,793.30	18,941.70	24.97	11.46
1993/94	191,596.00	15,371.50	4,209.40	2,393.60	21,974.50	16.01	11.47
1994/95	209,976.00	19,660.00	4,945.10	3,937.10	28,542.20	29.89	13.59
1995/96	239,388.00	21,668.00	6,225.10	4,825.10	32,718.20	14.63	13.67
1996/97	269,570.00	24,424.30	5,949.20	5,988.30	36,361.80	11.14	13.49
1997/98	289,798.00	25,939.80	6,998.10	5,402.60	38,340.50	5.44	13.23
1998/99	330,018.00	28,752.90	8,498.40	4,336.60	41,587.90	8.47	12.60
1999/00	366,251.00	33,152.10	9,741.60	5,711.70	48,605.40	16.87	13.27
Total	2,639,538.00	222,378.60	62,964.80	47,214.80	332,558.20		
Percentage		66.87	18.93	14.20	100.00		
2000/01	393,566.00	38,865.00	10,028.80	6,753.40	55,647.20	14.49	14.14
2001/02	404,482.00	39,330.60	11,116.00	6,686.10	57,132.70	2.67	14.12
2002/03	492,200.00	40,896.00	13,642.90	11,339.20	65,878.10	15.31	13.38
2003/04	536,800.00	48,173.00	14,158.00	11,283.40	73,614.40	11.74	13.71
2004/05	589,400.00	54,104.70	16,018.00	14,391.10	84,513.80	14.81	14.34
2005/06	654,100.00	57,430.40	14,851.50	13,827.50	86,109.40	1.89	13.16
2006/07	727,800.00	71,126.70	16,585.40	15,800.80	103,512.90	20.21	14.22
2007/08	815,700.00	85,155.50	22,467.00	20,320.70	127,943.20	23.60	15.69
2008/09	988,272.00	117,051.90	26,422.60	26,382.90	169,857.40	32.76	17.19
2009/10	1,192,774.00	159,785.30	18,205.60	38,545.90	216,536.80	27.48	18.15
2010/11	1,366,954.00	177,407.20	21,148.70	39,327.40	237,883.30	9.86	17.40
Total	8,162,048.00	889,326.30	184,644.50	204,658.40	1,278,629.20		
Percentage		69.55	14.44	16.01	100.00		
2011/12	1,527,344.00	211,941.80	32,651.20	40,810.30	285,403.30	19.98	18.69
2012/13	1,695,011.00	259,930.00	37,032.00	35,229.80	332,191.80	16.39	19.60
2013/14	1,964,540.00	312,670.00	45,040.00	42,205.80	399,915.80	20.39	20.36
2014/15	2,130,150.00	355,942.90	49,903.50	38,174.30	444,020.70	11.03	20.84
2015/16	2,253,200.00	421,096.60	60,865.00	39,544.00	521,505.60	17.45	23.15
2016/17	2,674,500.00	547,486.40	61,693.60	31,932.30	641,112.30	22.93	23.97
2017/18	3,031,034.00	659,491.40	72,743.00	39,318.70	771,553.10	20.35	25.46
2018/19	3,458,800.00	759,010.00	100,590.00	22,898.70	882,498.70	14.38	25.51
2019/20	3,767,100.00	700,055.40	93,691.20	23,718.80	817,465.40	(7.37)	21.70
Total	22,501,679.00	4,227,624.50	554,209.50	313,832.70	5,095,666.70		
Percentage		82.97	10.88	6.16	100.00		
2020/21*	4,266,320.00	871,679.90	88,000.40	27,060.70	986,741.00	20.71	23.13
2021/22**	4,901,690.00	1,038,193.70	113,406.70	63,376.20	1,214,976.60	23.13	24.79
Total	9,168,010.00	1,909,873.60	201,407.10	90,436.90	2,201,717.60		
Grand Total	33,303,265.00	5,339,329.40	801,818.80	565,705.90	6,706,854.10		
Percentage		79.61	11.96	8.43	100.00		

Source: Various Economic Surveys, MOF

GDPC- Gross Domestic Product at Current Price, TR- Total Tax Revenue, NTR- Total Non-tax Revenue, FG- Total Foreign Grants, TOTR- Total Revenue, TOTRPC- Percentage Change on Total Revenue, GDPTOTR- Total Revenue as Percentage of GDP

* Revised Estimated Figure

** Estimated Figure

Appendix 2

Government Expenditure (Rs. In million)

YEAR	GDPC	REXP	DEXP	FPROV.	TEXP	TOTEXPPC	GDPTOTEXP
1986/87	57,828.00	2,861.20	7,378.00	1,274.00	11,513.20	17.52	19.91
1987/88	73,170.00	3,235.40	9,428.00	1,441.60	14,105.00	22.51	19.28
1988/89	85,831.00	3,955.50	12,328.80	1,720.70	18,005.00	27.65	20.98
1989/90	99,702.00	4,392.60	12,997.50	2,279.20	19,669.30	9.24	19.73
1990/91	116,127.00	5,162.90	15,979.50	2,407.40	23,549.80	19.73	20.28
1991/92	144,933.00	6,108.30	16,512.80	3,797.10	26,418.20	12.18	18.23
1992/93	165,350.00	6,923.60	19,413.60	4,560.50	30,897.70	16.96	18.69
1993/94	191,596.00	7,554.10	21,188.20	4,855.10	33,597.40	8.74	17.54
1994/95	209,976.00	13,181.80	19,794.90	6,083.30	39,060.00	16.26	18.60
1995/96	239,388.00	14,846.40	24,980.50	6,715.50	46,542.40	19.16	19.44
1996/97	269,570.00	16,653.90	26,542.60	7,527.20	50,723.70	8.98	18.82
1997/98	289,798.00	19,491.60	28,943.90	7,682.80	56,118.30	10.64	19.36
1998/99	330,018.00	22,324.70	28,531.30	8,723.00	59,579.00	6.17	18.05
1999/00	366,251.00	24,490.50	31,749.20	10,032.80	66,272.50	11.23	18.09
Total	2,639,538.00	151,182.50	275,768.80	69,100.20	496,051.50		
Percentage		30.48	55.59	13.93	100.00		
2000/01	393,566.00	32,380.80	37,065.90	10,388.40	79,835.10	20.46	20.29
2001/02	404,482.00	36,384.90	31,482.20	12,205.20	80,072.30	0.30	19.80
2002/03	492,200.00	52,090.50	22,356.10	9,559.50	84,006.10	4.91	17.07
2003/04	536,800.00	55,552.10	23,095.60	10,794.90	89,442.60	6.47	16.66
2004/05	589,400.00	61,686.40	27,340.70	13,533.30	102,560.40	14.67	17.40
2005/06	654,100.00	67,017.80	29,606.60	14,264.80	110,889.20	8.12	16.95
2006/07	727,800.00	77,122.40	39,729.90	16,752.30	133,604.60	20.48	18.36
2007/08	815,700.00	91,446.90	53,516.10	16,386.90	161,349.90	20.77	19.78
2008/09	988,272.00	127,738.90	73,088.90	18,834.10	219,661.90	36.14	22.23
2009/10	1,192,774.00	151,100.00	90,200.00	18,400.00	259,700.00	18.23	21.77
2010/11	1,366,954.00	210,200.00	47,300.00	37,900.00	295,400.00	13.75	21.61
Total	8,162,048.00	962,720.70	474,782.00	179,019.40	1,616,522.10		
Percentage		59.56	29.37	11.07	100.00		
2011/12	1,527,344.00	243,500.00	51,400.00	44,300.00	339,200.00	14.83	22.21
2012/13	1,695,011.00	247,400.00	54,600.00	56,600.00	358,600.00	5.72	21.16
2013/14	1,964,540.00	303,600.00	66,700.00	64,800.00	435,100.00	21.33	22.15
2014/15	2,130,150.00	339,500.00	88,800.00	103,300.00	531,600.00	22.18	24.96
2015/16	2,253,200.00	371,300.00	123,300.00	106,400.00	601,000.00	13.05	26.67
2016/17	2,674,500.00	518,600.00	208,700.00	109,900.00	837,200.00	39.30	31.30
2017/18	3,031,034.00	696,900.00	270,800.00	119,600.00	1,087,300.00	29.87	35.87
2018/19	3,458,800.00	716,420.00	241,560.00	152,480.00	1,110,460.00	2.13	32.11
2019/20	3,767,100.00	784,291.40	189,140.10	193,642.30	1,167,073.80	5.10	30.98
Total	22,501,679.00	4,221,511.40	1,295,000.10	951,022.30	6,467,533.80		
Percentage		65.27	20.02	14.70	100.00		
2020/21*	4,266,320.00	789,659.40	584,477.70	100,508.30	1,474,645.40	26.35	34.56
2021/22**	4,901,690.00	903,032.60	616,373.10	128,171.00	1,647,576.70	11.73	33.61
Total	9,168,010.00	1,692,692.00	1,200,850.80	228,679.30	3,122,222.10		
Grand Total	33,303,265.00	5,335,414.60	2,045,550.90	1,199,141.90	8,580,107.40		
Percentage		62.18	23.84	13.98	100.00		

Source: Various Economic Surveys, MOF

GDPC- Gross Domestic Product at Current Price, REXP- Total Revenue Expenditure, DEXP- Total Development Expenditure, FPROV- Total Financial Provisions, TEXP- Total Expenditure, TOTEXPPC- Percentage Change on Total Expenditure, GDPTOTEXP- Total Expenditure as Percentage of GDP

Appendix 3

Budget Deficit (Rs. in million)

YEAR	GDPC	TOTR	TEXP	BDF	BDFPC	GDPTOBDF
1986/87	57,828.00	7,258.50	11,513.20	4,254.70	6.91	7.36
1987/88	73,170.00	9,427.20	14,105.00	4,677.80	9.94	6.39
1988/89	85,831.00	9,461.30	18,005.00	8,543.70	82.64	9.95
1989/90	99,702.00	11,288.20	19,669.30	8,381.10	(1.90)	8.41
1990/91	116,127.00	12,894.30	23,549.80	10,655.50	27.14	9.18
1991/92	144,933.00	15,156.50	26,418.20	11,261.70	5.69	7.77
1992/93	165,350.00	18,941.70	30,897.70	11,956.00	6.17	7.23
1993/94	191,596.00	21,974.50	33,597.40	11,622.90	(2.79)	6.07
1994/95	209,976.00	28,542.20	39,060.00	10,517.80	(9.51)	5.01
1995/96	239,388.00	32,718.20	46,542.40	13,824.20	31.44	5.77
1996/97	269,570.00	36,361.80	50,723.70	14,361.90	3.89	5.33
1997/98	289,798.00	38,340.50	56,118.30	17,777.80	23.78	6.13
1998/99	330,018.00	41,587.90	59,579.00	17,991.10	1.20	5.45
1999/00	366,251.00	48,605.40	66,272.50	17,667.10	(1.80)	4.82
Total	2,639,538.00	332,558.20	496,051.50	163,493.30		
Percentage		100.00	100.00			
2000/01	393,566.00	55,647.20	79,835.10	24,187.90	36.91	6.15
2001/02	404,482.00	57,132.70	80,072.30	22,939.60	(5.16)	5.67
2002/03	492,200.00	65,878.10	84,006.10	18,128.00	(20.98)	3.68
2003/04	536,800.00	73,614.40	89,442.60	15,828.20	(12.69)	2.95
2004/05	589,400.00	84,513.80	102,560.40	18,046.60	14.02	3.06
2005/06	654,100.00	86,109.40	110,889.20	24,779.80	37.31	3.79
2006/07	727,800.00	103,512.90	133,604.60	30,091.70	21.44	4.13
2007/08	815,700.00	127,943.20	161,349.90	33,406.70	11.02	4.10
2008/09	988,272.00	169,857.40	219,661.90	49,804.50	49.09	5.04
2009/10	1,192,774.00	216,536.80	259,700.00	43,163.20	(13.33)	3.62
2010/11	1,366,954.00	237,883.30	295,400.00	57,516.70	33.25	4.21
Total	8,162,048.00	1,278,629.20	1,616,522.10	337,892.90		
Percentage		100.00	100.00			
2011/12	1,527,344.00	285,403.30	339,200.00	53,796.70	(6.47)	3.52
2012/13	1,695,011.00	332,191.80	358,600.00	26,408.20	(50.91)	1.56
2013/14	1,964,540.00	399,915.80	435,100.00	35,184.20	33.23	1.79
2014/15	2,130,150.00	444,020.70	531,600.00	87,579.30	148.92	4.11
2015/16	2,253,200.00	521,505.60	601,000.00	79,494.40	(9.23)	3.53
2016/17	2,674,500.00	641,112.30	837,200.00	196,087.70	146.67	7.33
2017/18	3,031,034.00	771,553.10	1,087,300.00	315,746.90	61.02	10.42
2018/19	3,458,800.00	882,498.70	1,110,460.00	227,961.30	(27.80)	6.59
2019/20	3,767,100.00	817,465.40	1,167,073.80	349,608.40	53.36	9.28
Total	22,501,679.00	5,095,666.70	6,467,533.80	1,371,867.10		
Percentage		100.00	100.00			
2020/21*	4,266,320.00	986,741.00	1,474,645.40	487,904.40	39.56	11.44
2021/22**	4,901,690.00	1,214,976.60	1,647,576.70	432,600.10	(11.34)	8.83
Total	9,168,010.00	2,201,717.60	3,122,222.10	920,504.50		
Grand Total	33,303,265.00	6,706,854.10	8,580,107.40	1,873,253.30		
Percentage		100.00	100.00			

Source: Researcher's own calculation (From Appendix 1&2)

GDPC- Gross Domestic Product at Current Price, TOTR- Total Revenue, TEXP- Total Expenditure, BDF- Total Budget Deficit (Resource Gap), BDFPC- Percentage Change on Total Budget Deficit, GDPTOTBDF- Total Budget Deficit as Percentage of GDP

Appendix 4

Sources of financing (Rs. in million)

YEAR	GDPC	BDF	FL	IL*	SFL	SIL	GRFL	GRIL	FLGDP	ILGDP
1986/87	57,828.00	4,254.70	2,705.80	1,548.90	63.60	36.40	14.12	(6.75)	4.68	2.68
1987/88	73,170.00	4,677.80	3,815.80	862.00	81.57	18.43	41.02	(44.35)	5.21	1.18
1988/89	85,831.00	8,543.70	5,666.40	2,877.30	66.32	33.68	48.50	233.79	6.60	3.35
1989/90	99,702.00	8,381.10	5,959.60	2,421.50	71.11	28.89	5.17	(15.84)	5.98	2.43
1990/91	116,127.00	10,655.50	6,256.70	4,398.80	58.72	41.28	4.99	81.66	5.39	3.79
1991/92	144,933.00	11,261.70	6,816.90	4,444.80	60.53	39.47	8.95	1.05	4.70	3.07
1992/93	165,350.00	11,956.00	6,920.90	5,035.10	57.89	42.11	1.53	13.28	4.19	3.05
1993/94	191,596.00	11,622.90	9,163.60	2,459.30	78.84	21.16	32.40	(51.16)	4.78	1.28
1994/95	209,976.00	10,517.80	7,312.30	3,205.50	69.52	30.48	(20.20)	30.34	3.48	1.53
1995/96	239,388.00	13,824.20	9,463.90	4,360.30	68.46	31.54	29.42	36.03	3.95	1.82
1996/97	269,570.00	14,361.90	9,043.60	5,318.30	62.97	37.03	(4.44)	21.97	3.35	1.97
1997/98	289,798.00	17,777.80	11,054.50	6,723.30	62.18	37.82	22.24	26.42	3.81	2.32
1998/99	330,018.00	17,991.10	11,852.40	6,138.70	65.88	34.12	7.22	(8.70)	3.59	1.86
1999/00	366,251.00	17,667.10	11,812.20	5,854.90	66.86	33.14	(0.34)	(4.62)	3.23	1.60
Total	2,639,538.00	163,493.30	107,844.60	55,648.70	66.75	33.25	13.61	22.37	4.50	2.28
2000/01	393,566.00	24,187.90	12,044.00	12,143.90	49.79	50.21	1.96	107.41	3.06	3.09
2001/02	404,482.00	22,939.60	7,698.70	15,240.90	33.56	66.44	(36.08)	25.50	1.90	3.77
2002/03	492,200.00	18,128.00	4,546.40	13,581.60	25.08	74.92	(40.95)	(10.89)	0.92	2.76
2003/04	536,800.00	15,828.20	7,629.00	8,199.20	48.20	51.80	67.80	(39.63)	1.42	1.53
2004/05	589,400.00	18,046.60	9,266.10	8,780.50	51.35	48.65	21.46	7.09	1.57	1.49
2005/06	654,100.00	24,779.80	8,214.30	16,565.50	33.15	66.85	(11.35)	88.66	1.26	2.53
2006/07	727,800.00	30,091.70	10,053.50	20,038.20	33.41	66.59	22.39	20.96	1.38	2.75
2007/08	815,700.00	33,406.70	8,979.90	24,426.80	26.88	73.12	(10.68)	21.90	1.10	2.99
2008/09	988,272.00	49,804.50	9,968.90	39,835.60	20.02	79.98	11.01	63.08	1.01	4.03
2009/10	1,192,774.00	43,163.20	11,223.40	31,939.80	26.00	74.00	12.58	(19.82)	0.94	2.68
2010/11	1,366,954.00	57,516.70	11,859.10	45,657.60	20.62	79.38	5.66	42.95	0.87	3.34
Total	8,162,048.00	337,892.90	101,483.30	236,409.60	33.46	66.54	3.98	27.93	1.40	2.81
2011/12	1,527,344.00	53,796.70	11,083.10	42,713.60	20.60	79.40	(6.54)	(6.45)	0.73	2.80
2012/13	1,695,011.00	26,408.20	11,969.40	14,438.80	45.32	54.68	8.00	(66.20)	0.71	0.85
2013/14	1,964,540.00	35,184.20	17,998.80	17,185.40	51.16	48.84	50.37	19.02	0.92	0.87
2014/15	2,130,150.00	87,579.30	25,531.30	62,048.00	29.15	70.85	41.85	261.05	1.20	2.91
2015/16	2,253,200.00	79,494.40	34,455.90	45,038.50	43.34	56.66	34.96	(27.41)	1.53	2.00
2016/17	2,674,500.00	196,087.70	58,013.00	138,074.70	29.59	70.41	68.37	206.57	2.17	5.16
2017/18	3,031,034.00	315,746.90	92,232.70	223,514.20	29.21	70.79	58.99	61.88	3.04	7.37
2018/19	3,458,800.00	227,961.30	124,372.50	103,588.80	54.56	45.44	34.85	(53.65)	3.60	2.99
2019/20	3,767,100.00	349,608.40	116,643.90	232,964.50	33.36	66.64	(6.21)	124.89	3.10	6.18
Total	22,501,679.00	1,371,867.10	492,300.60	879,566.50	37.37	62.63	31.62	57.74	1.89	3.46
Grand Total	33,303,265.00	1,873,253.30	701,628.50	1,171,624.80	48.20	51.80	15.27	33.53	2.81	2.77
2020/21*	4,266,320.00	487,904.40	165,100.20	322,804.20	33.84	66.16	41.54	38.56	3.87	7.57
2021/22**	4,901,690.00	432,600.10	309,293.20	123,306.90	71.50	28.50	87.34	(61.80)	6.31	2.52
Total	9,168,010.00	920,504.50	474,393.40	446,111.10	52.67	47.33	64.44	(11.62)	5.09	5.04

Source: Various Economic Surveys, MOF

GDPC- Gross Domestic Product at Current Price, BDF- Total Budget Deficit (Resource Gap), FL- Total Foreign Loan, IL- Total Internal Loan Including Drawdown of Cash Balance, SFL- Share of Foreign Loan in Total Deficit, SIL- Share of Internal Loan in Total Deficit, GRFL- Growth Rate of Foreign Loan, GRIL- Growth Rate of Internal Loan, FLGDP- Foreign Loan as Percentage of GDP, ILGDP- Internal Loan as Percentage of GDP.*

Development in Digital Capitalism: Challenges and Prospects of Nepal

Suman Pokharel¹

Abstract

This study delves into the challenges and possibilities surrounding the establishment of digital capitalism in Nepal. Utilizing a secondary data analysis methodology, it examines the current state of digital capitalism in the country and identifies the key obstacles and opportunities. The theoretical framework employed incorporates concepts like transnational informational capitalism, digital governance, and actor-network theory to comprehend the dynamic relationship between labor, technology, and capitalism in the digital era. The findings indicate that while Nepal has witnessed growth in internet penetration and mobile phone usage, there are still significant disparities in digital access and infrastructure between urban and rural areas. The challenges faced include inadequate digital infrastructure, limited consumer trust and awareness, and the need for more robust regulatory frameworks. Nevertheless, Nepal also holds promising prospects for digital capitalism. The increasing availability of smart-phones a techno-literate youth population, and government initiatives aimed at promoting digital literacy and entrepreneurship contribute to the country's potential in this area. The study underscores the significance of digital capitalism for Nepal's economic development and provides recommendations to policymakers, entrepreneurs, and researchers on how to foster an environment that facilitates the growth of digital capitalism. By addressing the challenges of digital infrastructure, building consumer trust, and strengthening regulatory frameworks, Nepal can harness the benefits of digital capitalism, leveraging it as a catalyst for economic progress in the country.

Key Words: Digital capitalism, Digital infrastructure, Digital literacy, Regulatory framework.

Introduction

Digital capitalism, the combination of digital technologies and capitalism, has brought about substantial changes in global economies. According to Fuchs (2013), digital technology transforms various aspects, leading to transnational informational capitalism. Capital's search for new strategies changes labor, emphasizing cognitive, communicative, and cooperative work mediated by information technologies, producing tangible and intangible

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informational goods. Transnational informational capitalism captures this interconnection between labor and technology in contemporary capitalism. Digital capitalism indicates the economic systems in which digital technologies and online platforms are applied for data production, distribution, and consumption of goods/services.

The aim of this study is to investigate the challenges and possibilities associated with the establishment of digital capitalism in Nepal. Through an analysis of the present situation, identification of challenges, exploration of prospects, and provision of recommendations, this paper seeks to illuminate ways in which Nepal can utilize the potential of digital capitalism to foster economic growth. This study focuses on examining the challenges and opportunities related to the advancement of digital capitalism.

Background of the Study

Digital capitalism has revolutionized consumption, making it more convenient, diverse, and personalized. It has also optimized logistics and reduced costs, leading to unprecedented modernization and growth in the consumption sector of the digital economy (Ding, 2022). The advancement of digital technologies and a growing interest in entrepreneurship have created new possibilities for economic development in Nepal.

The technological sector plays a vital role in propelling the digitalization of the global economy, serving as a significant channel for surplus accumulated capital. This sector's importance is further amplified by the rise of platforms and digital infrastructures, which facilitate the trans-nationalization of services and enhance its strategic position within global capitalism. Digital capitalists exploit the vast reserves of data, exercising control and accumulating substantial profits through rent-seeking practices. The digital economy, driven by advanced information technology and data analysis, has become central to all facets of the global economy, gradually substituting labor with technological advancements. It indicates an economic system reliant on digital technologies, online platforms, and information for production, trade, and consumption. However, despite optimistic claims of generating high-skilled, well-paid employment opportunities, the digital economy is expected to bring about widespread joblessness, precarious work arrangements, and the potential collapse of key sectors across the global economy (Robinson, 2018).

According to the Nepal Telecommunications Authority (2023) internet penetration in Nepal stands at approximately 73.2 %, with mobile phones being the primary means of access. The rise of digital platforms and the increasing adoption of e-commerce have opened up new avenues for economic growth. However, there are disparities in digital access and infrastructure between urban and rural areas. The Digital Foundation aspect of the Digital Nepal Framework focuses on three main areas: Digital Connectivity, Digital Skills, and Digital Governance (Government of Nepal, 2019). In recent years, Nepal

has experienced significant growth in mobile and internet usage, leading to a surge in digital connectivity. However, the country faces unique challenges in fully realizing the potential of digital capitalism. Understanding these challenges is crucial for policymakers, entrepreneurs, and researchers to foster an environment conducive to digital capitalism.

Digital Landscape of Nepal

Nepal, a landlocked country in South Asia, boasts a rich cultural heritage and diverse topography. The economy of Nepal relies heavily on agriculture, remittances, and tourism. The adoption of digital technologies has been relatively slow compared to neighboring countries. However, recent years have witnessed an increase in mobile phone usage and internet connectivity, creating opportunities for the growth of digital capitalism. There were 15.85 million internet users in Nepal in January 2023 (GoN, 2023). Nepal's internet penetration rate stood at 51.6 percent of the total population at the start of 2023. [Kepios](#) analysis (2023) indicates that internet users in Nepal increased by 181 thousand (+1.2 percent) between 2022 and 2023.

According to the Nepal Telecommunications Authority (2022), broadband penetration in the country stands at 126.72%, with mobile broadband at 97.42% and fixed broadband at 29.30% as of mid-February 2022. More than 1.97 million households in Nepal have internet subscriptions. The government is also testing 5G technology. However, challenges such as affordability, digital divide, access limitations, and digital illiteracy still persist in various parts of the country. In terms of digital governance, the government has taken steps to digitize public services, including the digitization of land revenue office data, the introduction of the Nagarik App, the implementation of the Nepal National Single Window (NNSW) system, and the issuance of National ID cards. However, issues related to the capacity of installed technologies and inadequate management of systems continues to pose challenges for service use (Bajracharya, 2022).

Nepal's adoption of digital technologies has been gradually increasing, with a growing number of internet users and improved broadband penetration. However, challenges such as affordability, digital divide, and limited access hinder widespread digitalization across the country. Despite efforts in digital governance, issues with technology capacity and system management persist, requiring further attention for effective service delivery and utilization.

Objectives of the Study

The general objective of this study is to analyze the current scenario of digital capitalism in Nepal, whereas the specific objectives are:

- To identify the challenges hindering the development of digital capitalism in Nepal.
- To explore the prospects and opportunities for the growth of digital capitalism in Nepal.

Theoretical Review

David Chandler (2019) examines the changes in onto-epistemology and governance brought about by the advent of digitalism and Big Data. He argues that, traditional modes of thinking characterized by dualism, reductionism, linear causation, and mechanistic determinism are ill-equipped to tackle the complexities of contemporary society. As a result, a new onto-epistemology is needed, one that transcends dualistic thinking and enables novel forms of governing society and the digital realm.

In that study, Chandler contends that the ontological and political assumptions underlying digital governance can be better understood through actor-network theory. He is particularly interested in the works of Bruno Latour, as well as new materialist theories by scholars like Donna Haraway. Chandler suggests that these approaches provide a means to move beyond dualism and conceive of the world and the digital sphere as interconnected entities.

Chandler & Fuchs, (2019) highlight the inadequacy of traditional modes of thinking in addressing the challenges posed by digitalization and Big Data. He advocates for a new onto-epistemology that embraces interconnectedness and offers alternative methods for governing society and the digital domain. Engaging with actor-network theory and new materialist perspectives, author argued for a shift away from dualistic frameworks towards more holistic understandings of the world and its digital manifestations (Fuchs , 2019).

Jonathn Pace (2018) reveals that digital capitalism aims to go beyond nominalist and structuralist approaches. The author proceeds in the focusing in Schiller and Fuchs (2019) definition of capitalism as an abstract system with core features and a series of historical developments. They draw on the works of Marx and economic historians to provide a comprehensive understanding of capitalism in the digital age. He reformulates the concept of digital capitalism and explores the relationship between digital media and capitalism as a basis for future research.

The author criticizes the nominalist and structuralist tendencies found in (Schiller & Fuchs, 2019) and emphasizes specific developments without a conceptual framework, while Fuchs' approach provides a structural framework but neglects the nuances of specific developments. Both approaches lack a robust definition of digital capitalism and fail to explain the precise connection between digital technology and the core structure of capitalism.

Digital capitalism is defined as a historical period, a property regime characterized by private ownership of digital networks, and a management style organized around digital networks. However, the author argues that these definitions do not adequately explain

how these processes relate to the broader system of capitalism and highlights the ambiguity and conceptual challenges in understanding digital capitalism. By moving beyond nominalist and structuralist approaches, he calls for a more comprehensive analysis that considers both specific developments and the overarching structure of capitalism in the digital era (Pace, 2018).

The theory surveillance capitalism coined by Zuboff, focused how digital technologies enable the extraction of user data by corporations, which is then monetized for targeted advertising, behavioral manipulation, and predictive analytics (Zuboff, 2019).

Informational capitalism describes the role of information and knowledge in contemporary capitalism, highlighting the transformative power of digital technologies in enabling the creation, production, and dissemination of information and knowledge as key drivers of economic growth and power dynamics (Castells, 1996).

Hence, the discussions on onto-epistemology, digital governance, and digital capitalism challenge traditional modes of thinking and highlight the need for new approaches in understanding and governing the digital realm. These perspectives align with modernization theory, which emphasizes the transformative power of digital technologies in shaping contemporary society and the economy. By embracing interconnectedness, holistic understandings, and the role of information and knowledge, these theories contribute to a comprehensive analysis of modernization in the context of the digital age.

Methods

This study employs a secondary data analysis method to investigate the impact of digitalization capitalism on Nepal's economy. Existing data sources, such as academic articles, reports, and government publications, were reviewed to examine the challenges and prospects associated with the adoption of digital capitalism in Nepal. The collected data was analyzed using a thematic analysis approach to identify key themes and patterns related to the challenges and potential of digital capitalism. It is important to note that the findings are based on the available literature and should be interpreted cautiously due to limitations in data coverage, reliability, and currency. Ethical considerations pertaining to primary data collection were not applicable as this study solely relied on existing data sources.

Discussion and Analysis

Digitalization Process in Nepal: Current Scenario

In Nepal, the development of digital capitalism is still in its nascent stages. There were 15.85 million internet users in Nepal at the beginning of 2023 (DIGITAL NEPAL, 2023), when internet penetration stood at 51.6 percent. Nepal was home

to 12.60 million social media users in January 2023, equating to 41.0 percent of the total population. A total of 42.78 million cellular mobile connections were active in Nepal in early 2023, with this figure equivalent to 139.2 percent of the total population. (Kemp, 2023). The penetration of digital technologies, such as smart phones and internet connectivity, has increased over the years, but there are significant disparities between urban and rural areas. E-commerce platforms have gained popularity, enabling businesses to reach a wider customer base. However, the overall digital infrastructure, including internet speed, accessibility, and payment systems, needs improvement to fully support the growth of digital capitalism (Sharma, 2020).

With the advent of the internet and smart-phones, individuals now have the ability to connect with anyone, anytime, and anywhere. The development of technology and widespread access to broadband connectivity are seen as key drivers of economic growth. The banking sector has also embraced technological advancements, with the introduction of electronic banking (e-banking) being one of the latest innovations. In Nepal, most banks offer e-banking, phone banking, and mobile banking services. Tele-banking was first introduced in 1997, followed by internet banking in 2002, and SMS banking in 2004. Across all sectors of the economy, information and communication technology (ICT) has been embraced to enhance productivity, expand market reach, and decrease operational expenses (Bhandari, 2019).

Despite these challenges, there have been notable advancements in the digital sector. The rise of fintech companies and mobile banking services has made financial transactions more convenient and accessible to a larger population. The government's efforts to promote digital literacy and entrepreneurship have encouraged the development of startups and online businesses (Pandey, 2019). However, there is a need for further investment in digital education and skills development to empower individuals and businesses to fully participate in the digital economy.

Challenges in the Development of Digital Capitalism in Nepal

Nepal faces several challenges that impede the development of digital capitalism. Firstly, the inadequate digital infrastructure limits the accessibility and affordability of digital services, especially in rural areas. Limited access to reliable internet and slow internet speeds hinder the growth of online businesses and prevent widespread digital inclusion (Poudyal, 2020).

Secondly, there is a lack of trust and awareness among consumers regarding online transactions and data security. Concerns about privacy, cyber threats, and online fraud inhibit the adoption of digital platforms and e-commerce (Shakya, A., & Lamichhane, K.,

2021). Building trust and raising awareness about digital security measures are crucial for encouraging consumer confidence and facilitating the growth of digital capitalism.

Furthermore, the regulatory framework and policies governing the digital sector in Nepal need to be strengthened and adapted to the rapidly evolving digital landscape. Clear guidelines on accesses of internet, awareness, reliable sources of internet, digital literacy, data protection, intellectual property rights, and e-commerce regulations are necessary to provide a secure and supportive environment for businesses and consumers (Shrestha, 2020).

Prospects for the Development of Digital Capitalism in Nepal

Despite the challenges, Nepal possesses significant prospects for the development of digital capitalism. The increasing availability of smart-phones and internet connectivity, along with a growing tech-savvy youth population, presents an opportunity for the expansion of digital services and e-commerce (Pandey, 2019). The government's initiatives to promote digital literacy and entrepreneurship, such as the "Digital Nepal Framework" and the establishment of incubation centers, contribute to the favorable environment for digital capitalism (Government of Nepal, 2018).

Nepal has made progress in adopting technology for sustainable development. According to the Global Information Technology Report 2016, Nepal ranks 118 out of 139 low-income countries in the Network Readiness Index, an improvement compared to its rankings of 123 in 2014 and 114 in 2023 (NRI, 2023). However, Nepal struggles to keep up with the rapid pace of global digitalization, highlighting the need for further advancements to ensure inclusive and sustainable growth (Sarker, T., S. Tandukar, and S. R. Dey. , 2021) .

Digital capitalism is necessary for the economic development of Nepal as it opens up opportunities for growth by leveraging digital technologies, increasing internet connectivity, and expanding mobile phone usage. This enables the country to tap into sectors like e-commerce, online services, and digital entrepreneurship, driving innovation and attracting investments for sustainable economic progress.

The application of ICT in development policies, known as ICT4D, is driven by market expansion and digital capitalism, perpetuating the digital divide and cyber utopianism (Pieterse, 2010). This study holds significant importance for various stakeholders in Nepal. Policymakers can gain insights into the specific barriers that hinder the growth of digital capitalism and develop effective strategies to overcome them. Entrepreneurs can understand the prospects and opportunities in digital capitalism to make informed decisions for their businesses. Researchers can contribute to the existing knowledge base on digital capitalism in Nepal, bridging the gap in understanding the challenges and prospects unique to the Nepalese context.

Additionally, the emergence of digital platforms in sectors like transportation, healthcare, and education demonstrates the potential for innovation and digital disruption in various industries (Gautam et al., 2020). The rising popularity of social media platforms and online marketplaces further signifies the growing acceptance and utilization of digital platforms among Nepalese consumers (Shakya & Lamichhane, 2021).

Implications of Digital Capitalism in Nepal

The development of digital capitalism in Nepal has far-reaching implications for the economy, society, and individuals. Digitization and the expansion of e-commerce can promote inclusive economic growth by connecting rural entrepreneurs to a wider market and facilitating trade (Sharma, 2020). It can also contribute to job creation, particularly in the digital and technology sectors, fostering employment opportunities for the youth population.

Digital capitalism has the potential to improve the efficiency and transparency of government services through e-governance initiatives (Gautam, S., Sharma, S., & Bhandari, R, 2020). The digitalization of public services, such as online tax filing and digital identification systems, can enhance convenience and reduce bureaucratic hurdles.

The rise of digital capitalism in Nepal has had various implications and impacts: it has contributed to the growth of the country's digital economy, fostering innovation, entrepreneurship, and creating new job opportunities in the technology sector. This growth has been evident through the emergence of startups and digital platforms in areas such as e-commerce, fintech, ride-sharing, and online services. Digital platforms and e-commerce have expanded access to both national and international markets for Nepali businesses, enabling them to reach a broader customer base. Small and medium-sized enterprises (SMEs) have been able to leverage these digital platforms to sell their products and services beyond traditional geographical limitations. Digital capitalism has played a role in promoting financial inclusion in Nepal by providing previously unbanked or underserved populations, particularly in rural areas, with access to financial services through mobile banking, digital wallets, and online payment systems.

Furthermore, the growth of the digital economy has created a demand for digital skills, leading to individuals acquiring new competencies and enhancing human capital in Nepal. This demand has given rise to coding academies, tech boot camps, and online learning platforms to cater to the need for skilled workers. Lastly, digital capitalism has influenced social and cultural dynamics in Nepal by increasing internet access and social media usage. This has facilitated new forms of communication, information sharing, and social activism. However, it has also brought concerns about privacy, misinformation, and the digital divide, particularly affecting marginalized communities.

Conclusion

The development of digital capitalism in Nepal is still in its early stages, but it holds significant potential for the country's economy and society. The current scenario shows disparities in digital infrastructure, limited access to reliable internet, and low levels of digital literacy. However, there have been notable advancements in the digital sector, including the rise of fintech companies, mobile banking services, and the government's initiatives to promote digital literacy and entrepreneurship.

To nurture the growth of digital capitalism in Nepal, it is recommended to improve digital infrastructure by expanding internet connectivity, increasing internet speed, and ensuring reliable access in rural areas. Enhancing digital literacy and skills development through training programs and partnerships can empower individuals and businesses to participate in the digital economy. Building trust and cyber security measures are crucial, including enforcing regulations for data protection and conducting awareness campaigns.

Developing a favorable regulatory framework that includes guidelines for data protection, intellectual property rights, and e-commerce transactions is necessary. Collaboration and partnerships between the government, private sector, and academia should be encouraged to foster innovation and entrepreneurship. Efforts to bridge the digital divide and promote digital inclusion in rural areas are also important.

Nepal can overcome the challenges and harness the potential of digital capitalism for inclusive economic growth, job creation, and efficient public services. It requires the collective efforts of stakeholders to create an enabling environment for the development of digital capitalism in the Nepalese context.

Nurturing Digital Capitalism in Nepal

To nurture the development of digital capitalism in Nepal and overcome the challenges, some measures can be put forward:

The government and private sector should collaborate to invest in improving digital infrastructure, including expanding internet connectivity, increasing internet speed, and ensuring reliable access in rural areas. This will enable businesses and individuals to fully utilize digital platforms and participate in the digital economy.

Efforts should be made to enhance digital literacy and provide training programs to equip individuals with the necessary digital skills. This can be achieved through partnerships between the government, educational institutions, and private organizations to offer training programs on digital technologies, e-commerce, and digital marketing.

Building trust among consumers regarding online transactions and data security is crucial. The government should enforce strict regulations and standards for data

protection and cyber-security. Awareness campaigns should be conducted to educate individuals about safe online practices and raise awareness about the security measures implemented by digital platforms.

The government should establish clear and comprehensive regulations and policies to govern the digital sector. This includes creating guidelines for data protection, intellectual property rights, and e-commerce transactions. The regulatory framework should be flexible and adaptable to keep pace with technological advancements.

Collaboration between the government, private sector, and academia is essential to foster innovation and entrepreneurship in the digital space. Establishing incubation centers and providing financial and technical support to startups and digital enterprises can encourage their growth and contribution to the digital economy.

Efforts should be made to bridge the digital divide between urban and rural areas. Initiatives such as providing affordable access to smart-phones, reducing internet costs, and facilitating digital literacy programs in rural communities can promote digital inclusion and ensure that the benefits of digital capitalism reach all segments of society.

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Factors Influencing Stock Prices in Commercial Banks of Nepal

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Abstract

This study explores the factors that influence stock prices in commercial banking business in Nepal. Descriptive and causal-comparative research design and purposive sampling technique used in this research examine how critical financial variables affect market prices per share (MPPS), including book value per share, earnings per share, dividend per share, and price-earnings ratio. There is a statistically significant but relatively small positive correlation between book value per share. The results show that MPPS and earnings per share, dividend per share, and price-earnings ratio are significantly positively correlated. The model demonstrates its robustness in capturing stock price changes by accounting for around 86.1% of the variation in MPPS. These observations offer insightful recommendations for experts and investors involved in Nepal's commercial banking sector.

Keywords: Banking Industry, Corporate Earnings, Dividend Policy, Economic Influences

JEL Codes: G14, G21, G23, G32

1. Introduction

The stock market is a fundamental part of any economy (Bosworth et al., 1975; Nuti, 2023) because it shows how healthy the economy is and helps people move money around (Adebayo et al., 2022; Ghimire et al., 2021; Liu et al., 2020; Melnyk et al., 2022; Rakshit & Neog, 2022). It takes people's funds and gives them to businesses needing money. This is a significant part of making the economy grow. The stock market shares financial risk

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and makes it easier for rich people to give their money to poor. This changing environment ensures that money goes to the best business options. The economic market encourages industrial growth, which in turn helps the national economy (Dahal, 2018; Ghimire & Neupane, 2020; Joshi et al., 2023; Shkarupa et al., 2022). When it comes to Nepal, the stock prices of commercial banks change due to some factors, such as financial data and the overall state of the economy (Maharjan, 2022; Rimal, 2023; Pant et al., 2022; Shrestha & Gnawali, 2022). Price changes don't happen constantly; it occurs over time in the economy. This raises a core question: what causes these changes in stock prices?

People who work in the capital market are very interested in this question. Recent market downturns have presented new challenges for economic and statistical models, necessitating a closer examination of the factors influencing stock prices. This research aims to explain the dynamics at play whenever stock prices shift. It is particularly interested in the factors that influence the stock values of commercial banks. This analysis aims to determine the relationship between market price per share (MPPS) and earnings per share (EPS), dividend per share (DPS), price earning ratio (P/E), and book value price per share (BVPS). It also will examine how market mood, rumors, interest rates, and government security affect stock prices. Demand and supply patterns are one of them. These are EPS, DPS, P/E ratio, BVPS, firm growth, monetary policy, interest rates, political conditions, gross domestic product (GDP), information dissemination, company governance, and more. Buyers need to know how these essential factors affect stock prices because it helps them make intelligent choices and helps companies raise their market value. Investors need an understanding of share price dynamics, including what causes price fluctuations and how often they occur, to make informed investing decisions. A small number of studies have been conducted on securities traded on the NEPSE; however, most of these studies present capital structure analysis, deposit mobilization of the companies, dividend policy, risk, and return, etc., but enough researches have not been conducted to provide a fundamental understanding of the factors that influence the stock price. This research aims to shed light on the dynamics of stock prices by determining the elements that affect them and how specific factors relate. The specific objectives of the study are listed below:

- ❖ To evaluate how EPS, DPS, P/E ratio, and BVPS relate to and impact Nepalese commercial banks' MPPS.

This research holds significant value for a wide range of stakeholders. It is a valuable resource for future students that lay the groundwork for more study. Financial managers and people who trade on the Nepal Stock Exchange (NEPSE), such as brokers, financial intermediaries, and mentors, can learn valuable things to help them make better choices and understand how the market works. This study is also helpful for people who are

interested in the Nepalese commercial banks' share market, especially those who don't know much about stock prices and the factors that affect them. Nepalese commercial banks can use this study to learn more about market trends, how investors act, and the factors that affect the success of their stocks. This will help them make better strategic decisions and make the market more competitive.

The introduction covers the background, problem description, goals, significance, and paper structure. Constructing the research framework, the Literature Review integrates theoretical, conceptual, and empirical elements. The study procedures and data sources are described in the methodology. While the discussion interprets the findings, the presentation and analysis includes study findings and data analysis. The future orientations section provides suggestions for research directions and a summary of the findings and their consequences. The references are appropriately put in the designated section titled references.

2. Literature Review

In global finance, extensive research has been conducted, leading to a substantial body of literature encompassing research papers, articles, books, and journals on securities markets. While Nepal's capital market may still be in its infancy, it has not been immune to scholarly exploration. Despite its relatively underdeveloped state, Nepal's stock market has garnered attention from researchers. As delineated by Madura (2015), a financial market serves as a dynamic arena for exchanging financial securities like stocks and bonds, facilitating the flow of funds and enabling financing and investment by a diverse range of participants, including households, firms, and government agencies. Money and capital markets are two essential components of the financial market. The money market, characterized by its focus on highly liquid, short-term debt securities, facilitates trading financial instruments with short maturity periods, emphasizing easy marketability and liquidity while bearing lower risk than other securities (Choudhry, 2003).

Securities with a lengthy time horizon, including bonds and equities issued by corporations, are traded on the capital market (El Wassal, 2013). It acts as a conduit for long-term capital flow, engaging both long-term surplus and deficit units represented by governments, businesses, and individuals. The bond and stock markets are part of the capital market, where instruments like mortgages, common stock, treasury bonds and notes, corporate and foreign bonds, and state and local government bonds and notes are traded (El Wassal, 2013). The growth and development of the capital market play a pivotal role in driving rapid economic development, as it mobilizes long-term capital necessary for the productive sector (Chalise, 2020; Dahal, 2022). It is within the capital market that financial claims and obligations with maturity periods exceeding one year are bought and sold, and it is further divided into two distinct segments: the Primary Market and the Secondary Market.

Within stock price determination, signaling theory posits that firms utilize various financial indicators, including dividend payments, to communicate essential information about their financial health and prospects to investors (Ghimire, 2021; DeWitt, 2018). Specifically, in this study, the theory suggests that the dividend policies of selected banks may serve as signals of their stability and profitability. For instance, consistent high dividend payments might signal strong financial performance and management confidence, while low dividend payments could indicate economic uncertainty or potential challenges. Analyzing how signaling theory operates within the commercial banking sector of Nepal can provide insights into the role of dividends as indicators of bank health and their subsequent influence on stock prices. Modigliani and Miller popularized that a company's dividend policy should not affect its stock price or total worth, a theory known as the Dividend Irrelevance Theory (Brennan, 1971). This theory contends that investors are indifferent between receiving dividends and capital gains, implying that a firm's dividend policy change should not have any discernible impact on its stock value. Within this study, investigating whether changes in DPS for selected banks correspond to changes in MPPS offers an opportunity to assess the validity of the Dividend Irrelevance Theory within the specific dynamics of the Commercial Bank of Nepal sector. This exploration of financial theories, their applicability, and their implications in Nepalese commercial banking business context aims to provide a deeper understanding of the intricate interplay among firm-specific factors and stock values, offering insights into the underlying mechanisms shaping market valuations over a specified ten-year period.

Essential aspects, including firm size and book-to-market ratio, are highlighted by Fama and French's Three-Factor model for explaining stock returns (Fama & French, 1993). Numerous studies have examined the state of the Nepalese stock market, yielding essential insights. Earnings per share, dividends per share, and returns on assets are all factors that have been shown to have positive correlations with share prices in the market, while leverage and inflation are shown to have negative correlations (Ghimire & Pant., 2022; Karki et al., 2023; Sapkota, 2016). While exposing negative correlations with book-to-market ratio, asset growth, and earnings price ratio, Gautam (2017) reaffirmed the positive relationship between market returns and firm-specific variables such as market capitalization, leverage, dividend payout, and dividend yield ratios. The influence of accounting information and firm-specific factors on stock prices is not unique to Nepal; it holds relevance in other emerging markets such as Ghana (Aveh & Awunyo-Vitor, 2017). Pradhan et al. (2017) confirmed the positive associations between fundamental factors like dividend per share, return on assets, and earnings per share with stock values, highlighting the significance of these variables. Firm-specific and macroeconomic factors reveal the multifaceted determinants of share prices within the

Nepalese banking and insurance sectors (Bhattarai, 2018). In addition to highlighting the negative correlations with interest rates, Nepal (2018) emphasized the significance of factors such as business size, earnings per share, return on assets, dividend per share, gross domestic product, and inflation in determining market pricing.

Two factors that significantly impact stock prices among commercial banks are earnings per share and stock dividend per share, emphasizing the statistical and economic significance of the stock dividend variable (Karki, 2018). Silwal and Napit (2019) accentuated the positive relationship between book value per share, price-earnings ratio, and return on equity with stock prices. Wasfi Al Salamat et al. (2021) reveal the complex relationship between trading volume, dividend yield, GDP, return on assets, dividend payout ratio, and P/E in determining stock price volatility, highlighting the risk-reducing potential of increased dividend payments. Kaur and Gupta (2021) explored firm-specific attributes influencing shareholding patterns of BICs, offering insights into the dynamics of stock ownership within the context of Nepalese commercial banks and additional evidence that there is a positive correlation between metrics like Market Book proportion, Price-earnings proportion, and Earning Yield proportion with stock market prices, while noting the limited influence of Dividend Yield proportion (Wagle, 2021). Shrestha and Lamichhane (2022) highlighted the beneficial impact that dividend yield and earnings per share have on stock returns. The study identified adverse effects from earnings yield, return on assets, and the sales per share to stock price ratio. Shrestha (2022) discovered strong connections between firm-specific characteristics and market price per share. The study found that firm size, dividend per share, and earnings per share had a positive impact, while return on equity and dividend yield had a negative influence. Katuwal (2021) added to the knowledge pool, emphasizing the relevance of earnings per share and book value per share in explaining stock prices among Nepalese commercial banks, underscoring the role of these fundamental variables in stock pricing dynamics.

Regarding bank share price fluctuations, Rubaiyath and Lalon (2023) isolate Bank Size and Market Ratio as the critical influential variables, underscoring their importance in impacting stock prices. These empirical studies help us learn more about the complicated connections between firm-specific and macroeconomic factors and stock prices in Nepalese commercial banks. This is valuable information for investors, financial institutions, policymakers, and academics. The previous studies are like a solid base for this study that helped examine the complicated connections between factors affecting stock prices in Nepal's commercial bank sector.

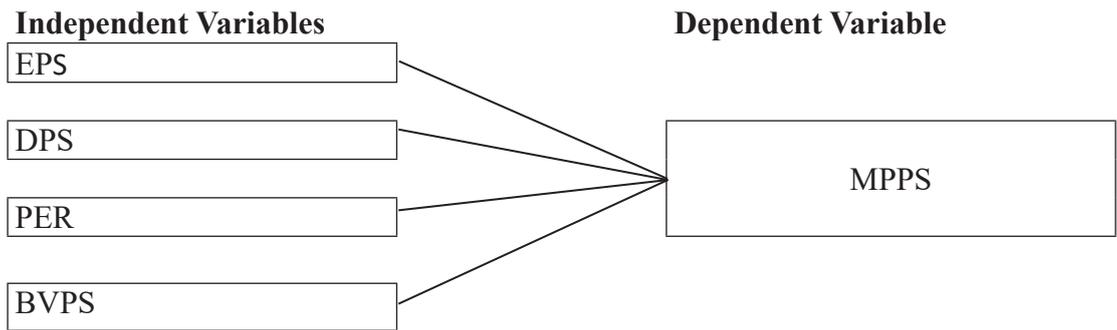


Figure 1: Research Framework

Study Hypotheses:

- H1: EPS has a significant effect on the MPPS of commercial banks in Nepal.*
- H2: DPS significantly affects the MPPS of commercial banks in Nepal.*
- H3: The P/E ratio significantly affects the MPPS of commercial banks in Nepal.*
- H4: BVPS significantly affects the MPPS of commercial banks in Nepal.*

3. Methodology

Using tables with simple computations, the study determined the impact of EPS, BVPS, P/E ratio, and DPS on stock price using a descriptive and causal-comparative research design.

This study focused on firm-specific factors influencing stock prices in the commercial banks of Nepal; the population under study comprises all commercial banks operating within Nepal during the specified ten-year period from 2012-2013 to 2021-2022. The research aims to investigate the relationships between the dependent variable, MPPS, and several independent variables, including EPS, DPS, PER, and BVPS. The study's sample banks include Nepal Bank Ltd (NBL), Nepal SBI Bank Ltd (NSBL), Everest Bank Limited (EBL), and Himalayan Bank Limited (HBL). NIC Asia Bank Limited (NICA), Kumari Bank Limited (KBL), Nabil Bank Limited (NABIL).

The sampling design employed for this research is purposive. Utilizing secondary data for analysis, the study provides valuable insights into the intricate relationships between these firm-specific factors and their influence on stock values within the context of the Nepalese commercial banking industry.

The data collection approach for this study entailed acquiring secondary financial and stock price data from some credible sources. Historical financial statements, including annual reports, balance sheets, and income statements, were obtained for the selected seven commercial banks. This study sought to comprehensively understand how these factors interplay and contribute to stock price fluctuations over a decade through a combination of quantitative techniques, including descriptive statistics, correlation

analysis, and regression modeling. This study's overarching goal was to use rigorous analytic techniques to illuminate the complex interrelationships that underpin the financial performance of the sampled commercial banks and, by extension, their impact on market valuation. The following financial tools were used in the study.

Table 1

Financial Tools

<i>Variables</i>	<i>Tools Used</i>
<i>MPPS</i>	Total market capitalization / No. of shares outstanding
<i>EPS</i>	Total earnings of the organization / No. of shares outstanding
<i>DPS</i>	Total dividend paid / No. of shares outstanding.
P/E Ratio	Market price per share / Earning price per share
<i>BVPS</i>	Net worth / No. of shares of outstanding

Study Model

$$Y = a + \beta_1 \text{EPS} + \beta_2 \text{DPS} + \beta_3 \text{PER} + \beta_4 \text{BVPS}$$

Where,

Y= MPS, a= y-intercept

EPS= Earnings per Share

DPS= Dividend per Share

PER= Price Earnings Ratio

BVPS= Book Value per Share

$\beta_1, \beta_2, \beta_3, \beta_4$ = beta coefficient of respective variables.

4. Presentation and Analysis

This section presents MPPS, EPS, DPS, PER, and BVPS for the seven leading commercial banks included in the research. These descriptive statistics serve as an initial snapshot of the data and provide context for the subsequent analyses.

Table 1

Descriptive Statistics

	N	Min.	Max.	Mean	SD
EPS	70	7.48	198.53	36.23	27.42
DPS	70	.000	73.68	22.96	16.75
PE Ratio	70	.86	54.68	23.39	10.23
BVPS	70	-24.50	335.60	189.44	73.35
MPPS	70	171.0	3385.00	816.61	660.03

Table 4.1 shows a snapshot of their distribution and central tendencies within 70 observations. EPS exhibits a wide-ranging distribution, with values spanning from a minimum to a maximum. On average, the mean EPS stands at a moderate level of earnings per share across the selected banks. However, it is essential to note that the standard deviation suggests considerable variability in EPS among the banks. DPS reveals a distinct pattern, with values ranging from a minimum (Min.) to a maximum (Max.). The mean DPS signifies a moderate dividend payout across the banks. The standard deviation suggests a notable dispersion in dividend payments, reflecting differences in dividend policies among the commercial banks.

The average PE Ratio indicates that, on average, investors are prepared to pay approximately times the earnings per share for stocks in the sample. The standard deviation suggests some variability in the P/E ratios among the banks. BVPS showcases a broad distribution. The average BVPS reveals a substantial book value per share among the selected commercial banks. However, the relatively high standard deviation indicates significant disparities in book values per share, suggesting varying levels of asset backing across the banks. MPPS exhibits the most comprehensive distribution, with values ranging from 0 to 1. The average MPPS reflects the diverse stock price levels within the sample. The considerable standard deviation underscores the substantial volatility and dispersion in market prices among commercial banks. These descriptive statistics shed light on the mean and standard deviation of the most critical factors, paving the way for further investigation into the interplay between these factors and the stock price dynamics of Nepal's commercial banking industry. The study looks at the links between the different variables (EPS, DPS, PER, BVPS) and the studied variable (MPPS) in this part. The size and direction of the links between these factors can be found through correlation analysis.

Table 2

Correlations Results

	EPS	DPS	PE Ratio	BVPS	MPPS
MPPS	.474**	.808**	.618**	.534**	1

** . Correlation is significant at the 0.01 level (2-tailed).

Table 2 shows significant associations among critical financial variables in the Nepalese commercial banking sector. A moderate positive correlation exists between a bank's EPS and MPPS, indicating that higher earnings per share are associated with higher market share prices. A strong positive correlation is observed between DPS and MPPS, suggesting that companies paying higher dividends per share tend to have higher market share prices. The PE ratio exhibits a moderate positive correlation with MPPS, indicating that a higher PE ratio is associated with a higher market share price. A moderate positive

correlation exists between a company's BVPS and its MPPS, signifying that higher book values per share are linked to higher market share prices. These findings emphasize the status of these economic variables in encroaching on stock prices within the Nepalese commercial banking sector.

This study explored the influence of EPS, DPS, PER, and BVPS on MPPS in Nepal's commercial banking sector through regression models to make proper conclusions about how specific factors affect stock prices by looking at the quantitative links between these factors through regression analysis.

Table 3

Regression Result

Factors	Beta	t	Sig.
(Constant)	-813.763	-6.548	.000
EPS	8.458	6.367	.000
DPS	15.718	5.307	.000
PE Ratio	31.231	9.184	.000
BVPS	1.227	2.164	.034
R= .928	R Square = .861	F Value= 100.506	.000

a. Dependent Variable: MPPS

Table 3 details how well the regression model explains MPPS in Nepal's commercial banking industry. The independent variables (book value per share, earnings per share, price-earnings ratio, and dividend per share) and MPPS have a strong positive linear association, as indicated by the high correlation coefficient (R) of 0.928. These independent variables may account for about 86.1% of the variance in MPPS, according to the coefficient of determination (R Square) of 0.861, highlighting the model's efficacy. In light of the model's complexity, the corrected R Square of 0.852 supports the model's goodness of fit. The ANOVA table shows that the F-statistic is highly significant, underlining the model's nearly perfect fit. The constant term's significance indicates a baseline MPPS even without other factors. The coefficients of the individual independent variables provide insights into their influence on MPPS. EPS, DPS, and PE ratios demonstrate strong positive relationships with MPPS, while BVPS exhibits a relatively weaker but statistically significant positive association. These findings collectively underscore the model's efficacy in elucidating stock price determinants in Nepal's commercial banking sector, providing valuable insights for investors and analysts.

5. Discussions

The different studies in the literature review shed light on the complex link between variables unique to a company and stock prices in different situations. Each study focuses on its factors and area of study, but comparing their results shows similarities and differences. One thing that comes up a lot in these studies is how some firm-specific

factors are positively linked to stock prices. Dividend-related factors, such as DPS and dividend yield, tend to positively correlate with stock prices (Gautam, 2017; Bhattarai, 2018). This similarity shows how important revenue and payout policies affect investors' feelings about a stock and its worth. There are, however, differences when looking at the effect of other firm-specific factors, comparing studies that found positive and negative links between firm size and stock prices (Shrestha, 2022; Rubaiyath and Lalon, 2023), showing that size has different effects. Return on assets (ROA) and equity (ROE) also have mixed results. Studies show that firm-specific factors positively affect stock prices, while others show adverse effects (Nepal, 2018; Shrestha, 2022). These differences may be due to the complex nature of these factors and how they affect certain market situations. Different studies show different effects of macroeconomic factors on stock prices. Gross domestic product (GDP) is often seen as a good thing, which means that economic growth is good for stock prices (Nepal, 2018). However, inflation and interest rates have mixed effects. Some studies show that factors negatively affect stock prices (Bhattarai, 2020; Wasfi Al Salamat et al., 2021). These differences show the complex relationship between firm-specific and global factors that affect stock prices.

Another interesting difference is how critical different factors are in other regions. For instance, research done in Bangladesh (Ferdaous and Barua, 2020) and Jordan (Wasfi Al Salamat et al., 2021) stresses how vital company beta and trade volume is in determining stock returns. However, these factors might not be as crucial in Nepal. Most people agree that variables related to earnings and dividends have an excellent effect on stock prices. Also, other firm-specific and global factors seem to depend on the situation. These differences show how important it is to look at the unique features of each market when figuring out what affects stock prices. Researchers show how complicated it is to determine what affects stock prices in different economic situations (Dhodary, 2023; Silwal and Samrina, 2019). More study is needed to determine the complex dynamics in each situation and give investors, policymakers, and financial experts a fuller picture.

6. Conclusions

The present study concludes by thoroughly analyzing the firm-specific determinants that impact stock prices in the commercial banks of Nepal. This analysis has provided valuable insights into the complex dynamics within the banking industry. A comprehensive examination of the BVPS, MPPS, DPS, EPS, and PE ratios has shown numerous essential conclusions. The study's primary finding is that financial performance measurements greatly influence stock values. Stock prices positively correlate with EPS, which has been recognized as a critical factor. The DPS further indicates a significant impact of dividends on stock value and investor sentiment. The

Price-Earnings Ratio has also become a vital indicator of investor readiness to pay more for equities with attractive valuation multiples. Concerning explaining around 86.1% of the variance in MPPS across the chosen banks, the study's regression model has shown to be somewhat effective. BVPS demonstrated statistical significance; nevertheless, its influence on MPPS was not as strong as other components.

7. Future Orientations

For Nepali decision-makers and executives of commercial banks, the study's conclusions have significant management ramifications. The apparent positive correlation between EPS and MPPS highlights the significance of concentrating on profitability and financial success. Since sound business practices will probably lead to higher stock prices and more shareholder value, bank management should work to boost earnings. Acknowledging the favorable effect of DPS on MPPS emphasizes the function of dividends as a means of luring and keeping investors. Bank executives must consider their dividend policy and express their dedication to providing dividend payments to shareholders. Financial institutions with advantageous valuation ratios should look at measures to keep and improve their standing in the market, which could draw in additional investors.

Banks may better manage risk and balance asset growth by comprehending the dynamics of book value with comparatively less influence on stock prices. Bank management must actively participate in value evaluations and be open and honest with investors about their financial situation. Concerning Nepal's commercial banking industry, these managerial implications enable bank executives to make well-informed decisions that conform to the expectations and preferences of investors. This research can shed light on possible convergence or divergence patterns in international markets and further our understanding of how stock prices behave in various financial settings. Additionally, by promoting international partnerships and scholarly discourse, this study can help advance global knowledge of stock market dynamics.

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(Add title of Article):

1. Through its recent research, this scholarly article attempts to present new or little known material with an aim to contribute to a new understanding. It does so by shedding light to familiar knowledge in the field or to completely new domain by engaging in an original manner. Do you think this paper does either of these things that would be welcomed by specialists or professionals in this field after this article comes out?
2. Do you think the scholarship that went into this work is poor, adequate, very good, or excellent?
3. Do you think this manuscript is well structured and it has presented a clear argument? Is the argument presented here has been substantiated and developed in a comprehensive manner?
4. How do you compare the strength and weakness of existing works with this manuscript?
5. How important is this work and how would you rate its content and quality?
6. Do you think the manuscript is important enough as a contribution to the knowledge in the field that justifies the amount of work that may need to make it publishable? If this manuscript needs revision (a) do you think the author is capable of making the necessary revisions, and (b) do you have any specific suggestions for revision?
7. Do you strongly recommend publishing this work because it is outstanding or very good? Or do you recommend either to publish this manuscript only after revision, or not to publish at all? Beyond these options you could frame your recommendations in your own words.
8. Do you have any general comments about this article?
9. Do you want to reveal your identity to the author?

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