

Public debt of Nepal: It's effect on economic growth

Yadav Mani Upadhyaya ^{1,*}

¹ Assistant Professor of Economics, Saraswati Multiple Campus, Tribhuvan University, Nepal

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Abstract

Different economists have expressed different views on public debt from time to time. Different articles about public debt and economic development also have different concepts. But there is a great need for public debt in Nepal's economic development to date. It often seems impossible to sustain economic development of Nepal with our resources. The main objective of this article is to explain the trend of public debt and economic development from 1992/93 to 2018/19. It is also to study the impact of public debt on Nepal's economic development. For this, to study the relationship between the simple linear regression model and multiple regression model has used. The regression model is constructed four equations. The conclusion of the study, R^2 is more than 90% and P- value is almost zero of the entire regression model. This states that there is a positive relationship between public debt and economic development in Nepal. Despite such positive relations, our growth rate has not been uniform and public debt has been steadily increasing. But even today, Nepal's economic development needs internal and external debt. The main task today is to properly manage public debt for the economic growth of Nepal in coming days.

1. Introduction

Around the 18th century, the term "public debt" was often used. Classical economists were usually opposed to borrowing and believed that the government should play only a minor role in favoring constructive lending. However, after the Great Depression of the 1930s, increased government spending resulted in increased public debt as a result of the country's rapid economic growth and resource use (Taylor, 1961). J.M. Keynes is in favor of a government-controlled economy that increases the government's deficit. To achieve their deficit targets, governments must take on public debt, which does not always imply inefficiency, inflation, or burden (Nevin, 1962).

Public debt is based on the debt of the concerned government entity. In the current situation, public spending is increasing very rapidly relative to national income. Increasing public expenditure cannot be achieved by raising revenue alone. Public debt entails the obligation to repay the people (Samuelson, 1964).

Public debt is one of the important sources of generating income for the government of Nepal. It helps to achieve targeted economic growth and also helps to narrow down the gap between expenditure and revenue, saving, and investment required for a targeted growth rate. In Nepal, institutional backwardness makes the functioning of economic development a complicated business. In order to remove such obstacles in the economy, public debt can be used as an inevitable tool. Thus, public debt is the most important source of income for the economic development of Nepal (Acharya, 2015).

The role of public debt is increased significantly after the planned economic development. The process of economic development in Nepal was started with the implementation of the first five years plan in 1956. Since

* E-mail: yadavghimire@yahoo.com & ORCID: <https://orcid.org/0000-0003-3089-3615>

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