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The Impact of Trade Deficits and the Burden of Crisis Oriented Economy on the Livelihoods of Nepali People

Uttam Khanal

Humanities and Social Sciences, Tribhuvan University, Kathmandu, 44600, Nepal

ABSTRACT

29,164,578 people are living in Nepal. Out of them, 48.96% are men and 51.04% are women. The growth rate of the population is 0.93% annually. However, 216,957 individuals had been abroad for employment, education or other reasons. It has developed an addiction to imported products using remittances. The government delays spending the money allotted for capital improvements. The debt incurred by loans received from donors exceeds between 20 trillion and 80 billion of Nepal's entire yearly budget. Based on statistics from Nepal Rastra Bank fiscal years 2021/2022, export and import contributions to overall Nepal's foreign commerce were 8.40% and 91.60%, respectively. Due to the burden of debt and increasing trade deficit in the Nepalese economy, it has greatly affected the livelihood of the people. The increase in the prices of goods has made the lives of ordinary and low-income citizens very difficult. To reduce it, it is necessary to increase the production of indigenous products and promote their trade. Nepal needs to improve its ability to balance imports and exports. Economic dependency will reduce and the nation's focus on self-sufficiency will increase if the market is extended by raising the output of locally produced items. There will be an increase in hazards as the state's ability to function weakens. No nation can be entirely self-sufficient in the open global market of today by producing all the commodities and services it requires. Economic dependency will reduce and the nation's focus on self-sufficiency will increase if the market is extended by raising the output of locally produced items. There will be an increase in hazards as the state's ability to function weakens.

Keywords: Import; Export; Domestic product; Raw materials; Trade deficit; Production and consumption

1. Background

The decline of Nepal's economy has not stopped.

It seems that there are two main reasons behind this, increasing foreign trade deficit and low domestic and commercialization. On the one hand, this has in-

***CORRESPONDING AUTHOR:**

Uttam Khanal, Humanities and Social Sciences, Tribhuvan University, Kathmandu, 44600, Nepal; Email: Khanaluttam24@yahoo.com

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creased the pressure of accumulated foreign currency and on the other hand, imports have increased and exports have decreased. As this sequence continues to increase, the life of common people is becoming very difficult. The life of common citizens has been made easy by low income and the pressure of price increases. There is no alternative to increase domestic production immediately to improve it. Effort has been made to raise this issue as an important issue and discuss it.

The per capita income of Nepali is \$1293 US dollars. By comparing contribution of GDP is 24.5% in agriculture, 13.7% in industry and 61.8% in services. Similarly, the use of labor is 43.1% in agriculture, 21.24% in industry and 35.66% in services. The inflation rate is 7.87%, the inflation rate in food and beverages is 7.13% and in non-food and services is 8.45%. Among the population of Nepal, the number of people living below the absolute poverty line is 17.8%. Foreign currency in the accumulated fund is \$7910 million US dollars ^[1].

The Constitution of Nepal 2015 envisages a socialist-oriented economy. A socialist economy means that the state plays a role in the fair distribution of goods and services by producing them at reasonable prices for ordinary consumers. The production of goods is done through private, cooperative, and partnership means, and the state plays a controlling role in distribution, supply, and price, so the market cannot go beyond the reach of the common people. If these things are applied in practice, no person's daily life will be difficult. He works according to his skills, and the income earned from the value of that skill makes life easier. That is, he can increase his income by using whatever skills and abilities; he has or has not employed ^[2].

Internal production should be increased to strengthen the Nepali economy and reduce dependence. The implementation of state policies, plans, and programs for promoting exports while increasing domestic production. It is a sad matter that even the goods are declared as exportable products. The Nepal Trade Integrated Strategy 2016 has focused on cardamom, ginger, tea, and medicinal herbs for the

agricultural sector; textiles, leather, shoes, carpets, and cotton for industrial production to use skilled and semi-skilled personnel. Such as information technology and tourism, have been defined as export items with 12 sectors' main priority, but their import has not been stopped. In the 1950s, the crippled economy of South Korea was brought about by President Park Chung Hue's export oriented production policy, which brought economic miracles to the world even after the implementation of federalism.

Various policies, development plans, and programs have been implemented at the state level with the aim of encouraging domestic production to supporting export promotion. Although, export of promotion was prioritized in the policies and programs of the national budget, periodic plans, due to the lack of effective implementation of government. Such regulations policies, plans and programs remain limited to paper. However, according to economist Achyut Wagle, except for 1997 and 2015, sufficient foreign investment could not come to Nepal, which had a negative impact on domestic production.

Nepal Rashtra Bank Governor Mahaprasad Adhikari said that foreign investment of all kinds cannot be welcomed, as only foreign investment with good governance is in the interest of the nation. Black money may appear to add some foreign exchange in the short term, but it is not good in the long run. Therefore, he said that the state's policy regarding foreign investment should be made clear. The attitude of the state and the private sector regarding foreign investment should be changed, the official said. He alleges that the view that we are weak when foreign investment comes is seen as a problem in the private sector. With the influx of foreign investment, some institutions in Nepal are more competitive than before.

"Trade and Export Promotion Center" was established with the aim of promoting the country's trade and exports. Since there is a problem with data collection and analysis, the question has been raised about its justification. What is significant there has not been enough production of export goods in the country, and the problem of quality processing facil-

ities has also persisted. It seems that Nepali products are not able to easily win the hearts of domestic consumers in terms of quality. Therefore, due to the increase in the import of foreign-quality goods, the domestic product has been challenged both in terms of price and quality. The situation where indigenous products cannot compete with foreign quality goods, which are considered cheap from the point of view of technology and production cost, there is a danger of displacement of indigenous original goods.

The existing challenges mentioned above, with the aim of encouraging domestic production to replace imports are “our goods, our self-esteem”. A campaign called Made in Nepal, Self Product has been launched with the slogan. It is believed that this campaign will be successful in positive vibrations to improvements for the overall economy of Nepal. Those goals and objectives cannot be fulfilled without the people being aware. Although this campaign was said to be worthwhile in creating awareness that indigenous products should be consumed, encouraged, and promoted, it was not successful. The cost and price of the product are not the choices of the ordinary consumer, but the quality and the lack of choices are their main sources of satisfaction.

While domestic production is decreasing, imports are continuously increasing in Nepal. Exports are lower than imports. According to the customs department, goods worth 7 trillion, 92 billion, 628 thousand or 90.75% were imported in the first six months of the current year. Similarly, only 80 billion, 800 million and 7,421 thousand rupees were exported during this period. It is 9.25% which means that 91% is imported while only 9% is exported. It does not accept the fact that domestic production has decreased due to a lack of market for Nepali products. According to Narayan Regmi, the spokesperson of the Ministry of Industry, Commerce, and Supply, the main reason that imports are many times higher than exports is the lack of domestic production.

According to the data of the customs department, petroleum products are the most commonly imported goods that are not produced in Nepal. In the month of January, diesel worth 70.10 billion and gasoline

worth 33.53 billion were imported. The import of luxury goods, including fuel, has also increased abnormally. According to the statistics of the department, gold, which is on the list of luxury items, has been imported worth 29.20 billion rupees, while LP gas for cooking has been imported for 28.20 billion rupees. Nepal has spent 23.75 billion rupees on the import of soybean crude oil. It has spent 19 billion and 22 million rupees on the import of iron and 16 billion and 22 million rupees on the import of crude palm oil. Mobile sets worth 14.32 billion were imported during the review period. During this period, palm oil worth 13.8 billion rupees was exported, but the amount of profit was very low. The data from the department show that processed soybean oil was exported at 8 billion compared to those in Nepal ^[3].

2. Statement of the problem

Due to the increasing trade deficit and decreasing domestic production in Nepal, the goods used by common citizens are becoming dependent on imports. The increase in the population of unemployed citizens and the loss of employment opportunities will lead to a decline in purchasing power. This has made the lives of many citizens more difficult. With the declining domestic production of Nepal, the share of imports in foreign trade has reached close to 91% and exports only 9%. There has been a contraction in Nepal's economy. The burden of foreign debt has reached 20 trillion and 80 billion. The government is forced to set aside a large sum of money for foreign loan repayments and interest payments in every year's budget. Nepal's market is not able to sustain domestic production. The ceiling of the amount to be spent on capital construction allocated through the budget cannot be spent. The expenditure has increased every year; the state organs are getting weak because the development expenditure is not in that proportion. Domestic production can't increase as capital efficiency in human resource development. As production can't increase and internal consumption increases too much, the accumulated foreign exchange will be burdened, and the economy may face a crisis at any time. The livelihood of the common

people may be very difficult at that time. The interest of the common citizens in food, education and health of themselves and their families increases. People try to fulfil these basic needs in all circumstances, but if the economy goes out of control, it will not be possible. Therefore, the only option can increase the production and consumption of domestic goods by being aware of it before the crisis. In order to increase the production of indigenous goods, it is necessary to pay attention to the expansion of industries based on agriculture, forest products, water resources and indigenous raw materials.

The National Census 2021 showed the total population of Nepal is 29,164,578 in which the number of males is 48.96% and a female is 51.04%. Although the population growth rate is 0.93%, the production and supply of food have not been in the same ratio. Similarly, the population density is 198 per km² and the number of people living abroad is 2,169,578. The figure shows that the number of people with 2.2% disabilities, 6.09% of the population in the Himalayan region, 40.25% in the hilly region and 53.66% in the Terai region. Remittance accounts for 21% of Nepal's overall economy and 56% of foreign exchange earnings^[4] and make a great contribution to supporting foreign imports and facilitating purchases. Last year, \$8.3 billion dollars entered Nepal in the form of remittances, while \$5.85 million dollars was taken by workers who came to Nepal from abroad.

The foreign trade deficit is increasing due to the negative effects on the country. Gross domestic product will increase and the components of production will shrink. To reduce the burning trade deficit, it is necessary to increase the domestic production of goods. If the production of goods can be increased completely, the economy will become more dynamic. As domestic production is decreasing, imports are continuously increasing in Nepal. According to this percentage, 91% is imported while only 9% is exported. It does not accept the fact that domestic production has decreased due to a lack of market for Nepali products. The main problem is the lack of domestic production, which is many times more im-

ported than exported. The solution to this problem is to increase the production capacity of goods in Nepal and to make more use of local tools and equipment. If it is not possible, there will be a decrease in production and the import of goods from foreign countries will increase. There should be no delay on the part of the state to increase the production capacity of indigenous products, even in policy, planning and legal terms. Industrialists, merchants and general stakeholders also come in this work. There should not be delay in planning and legal. Industrialists, businessmen and general stakeholders also come into work. Not being able to move from one's place and not being able to increase production has become the root of the problem.

3. Objectives of study

It is necessary to have excessive mobilization of internal resources to improve domestic production while improving Nepal's economy. If the domestic production increases, its consumption can be increased and imports will decrease. With the use of internal resources, employment opportunities increase and the life of ordinary citizens becomes easier. It is necessary to create an environment where a lost person can light his stove to make the daily life and livelihood of the people. If there is no access to daily necessities due to rising commodity prices, unemployment, and poverty, life becomes very painful and difficult. The possibilities of agricultural production in Nepal are wide. With the products produced people can live their lives and do not have to die of hunger. Apart from this, if domestic production increases, imports will decrease, the accumulation rate of foreign currency will increase, and the state will become stronger.

To increase domestic production, you do not have to work hard to market products internationally and bring them to the attention of consumers. This emphasis should be placed on the development of small and medium industries to expand indigenous production and industrialization. Availability of raw materials, market prices and human resources should be feasible. The situation should be looked at in terms

of policy and legal provisions. The living standards of people are different from part to whole. There are some questions behind it. Why should not produce local resources to increase inter-productivity? What are the contributing factors to gradually increasing imports? Should imports get to change the livelihood of people? What are the internal factors to increase domestic product for making a sustained economy? These questions try to get answers for this paper. In the current situation, most of the industries in Nepal are becoming dependent on it, so it is necessary to take into account what the market is like and what domestic raw materials are available. If local raw materials can be used to produce indigenous raw materials, there is a situation where at least 200% profit can be made. It should be noted which factors are creating obstacles behind. The country should increase its production to meet the demand for domestic goods. Since it achievement for a country in today's world, the main objective of this study is to (a) utilization of domestic production for reduced trade deficit (b) to analyze the import and export for foreign trade and (c) to evaluate the overall impact of trade deficit for people's livelihood.

4. Methodology

The method is a very important part of the paper preparation. In this study, the primary data are least used because of the time boundary. A secondary source has been used as a source of information for analysis. An attempt has been made to find out the possibilities of facilitating people's livelihoods by analyzing that data. Nepal's agricultural sector is very fertile in terms of production and employment. By increasing the state's investment to attract the youth, gold can be found in the soil, and the country will become self-sufficient. Here, the data of all species in the field has not been studied for use. The situation of production, the law of import and export, rules, and regulations, as well as the data of Rashtira Bank and the Customs Department and Industry Department from 2021 to 2023, have also been used. To make the study credible, the Ministry of Finance says that the information obtained from the Depart-

ment of Household and Small Industries was used in the study. Since the sample was not surveyed, this study has not revealed information that is invisible in small areas. Therefore, this study did not use various types of statistical tools to analyze data and answer other of the entire subject.

5. Presentation and discussion

5.1 An imported current economy and its present scenario

Looking at the data from the Customs Department, in 2021/2022, agricultural goods worth 3.23 billion and 77 million were imported. A large quantity of food was imported that year. Imports of rice were 50.78 billion, corn was worth 16 billion, green vegetables were 38.5 billion, fruits were 31.34 billion, edible oil was 82.90 billion, and sugar was 12.27 billion. There was an environment where Nepal could produce all these items by itself. Looking at the trading situation in the month of January 2023, the total foreign trade has decreased by 20.84%. Exports have decreased by 29.03%, while imports have decreased by 19.9%. During the reviewing period, there was a trade deficit of 8 trillion, 25 billion, and 73 million Nepalese rupees.

At that same time, Nepal imported 21.5 million kg of raw and frozen potatoes with 5.5 billion rupees. These potatoes come from India, Bangladesh, and Indonesia. As Nepal's dependence on onions has also increased, 86.3 million kg onions with 3.15 billion rupees have been imported. 22.1 million kilos of pulses have been imported at a cost of 2 billion, 44 million rupees. 1 billion 55.1 million kilos of chickpeas have been imported. About 10.9 million worth of beans, 79 million of green broad beans, 7.7 million 77 thousand kilos of pulses, and about 44 million kilos of garlic have been imported.

The import of tomatoes is also high. Nepal spent 2.87 million rupees to import 2.18 million kilos of lamb. Mushrooms worth 666 million rupees, mutton pepper worth 48 million rupees, sugarcane worth 287 million rupees, seed beans worth 152 million rupees, and pumpkin worth 136 million rupees are also

imported. Mushrooms from the European country of Serbia and chilies' from Taiwan are also imported to Nepal. Nepal has also imported vegetables from Thailand, Tanzania, Lebanon, Madagascar, Canada, Romania, Turkey, Brazil, Mozambique, South Africa, Venezuela, Ethiopia, and Malawi (Customs Department, 2022).

As Nepal's foreign trade is becoming completely import-oriented, the government cannot adopt restrictive measures. As a result, it is difficult to reduce the trade deficit without increasing the domestic product. After India made customs zero, the export of vegetable ghee and oil, imported from third countries to Nepal and exported after processing to India, seems to have decreased. The share of soybean oil in Nepal's total exports is 25.06%, while palm oil is 20.06%, and sunflower oil is 2.4%. The data shows that the export share of these three items alone is about 48%. The cardamom business is expanding in Nepal. In terms of export, more than 95% of cardamom is exported, and the remaining 5% is consumed in the domestic market. Last year, cardamom worth 7.3 billion rupees was exported from Nepal, so it is estimated that this year the price will decrease and exports will decrease ^[5]. At the beginning of the year, cardamom, which was between 900 and 1000 rupees per kg, was now sold for around 700 to 800 rupees. Most of the cardamom produced in Nepal is exported to India. India has been selling Nepali cardamom at a high price by adding value. If Nepal can add value, the attention of the government has not gone towards earning more foreign currency. Nepali cardamom can become strong in the international market if policy priorities are given, such as customs exemptions and easy financial facilities for the import of machinery.

You have to work hard to make your products stand out in the international market and gain the attention of consumers. At present, an industry has been set up for the processing of cardamom in Jhapa. This industry will prepare products in the form of labeling, packaging, and final goods. He made four products, the main ones from the country; work has been done to take them to the main city. The com-

pany is increasing its production and sending Nepali cardamom to Dubai and Qatar as the final goods are in their final stage.

Large industries can be operated by focusing on the development of small and medium industries for the expansion of indigenous production for industrialization. At present, most of the industries in Nepal are dependent. There is a situation where at least 200% profit can be made if prepared materials can be produced from domestic raw materials. It will be a great achievement for a country like Nepal to produce goods that can meet the demand for indigenous products.

Imports of food-related items alone amount to 4 trillion. If production can be increased there, the economy will be relieved and many opportunities for employment can be created. Agrarian countries have to import trillions of tons of grains annually. Increasing domestic production should not be limited to agriculture or food. The roles of warehouses and local governments also come together from production to consumption. It is equally important to have financial access and appropriate use of tools and resources to increase the production of goods. According to trade experts, Nepal's trade deficit has increased due to the lack of raw materials required for domestic goods, the difficulty of finding foreign goods, the lack of quality goods and certification, etc. More problems have arisen due to the incomplete implementation of policies in the field of exports. Exchange rates, financial provisions, customs duty exemption, and other incentives have not been implemented. Merchants are facing a lot of problems due to the complexity of the procedures and records of most of the export transactions in Nepal. Fruits can be produced in the country. The import of food has also increased significantly. An accreditation board related to the quality required for increased exports has not been yet formed. After a private sector or government sector laboratory is recognized by the international organization ILAC, such a recognized quality testing body has to test other labs and give certificates. The exporters, who are facing many such problems, have not been clarified about the possibil-

ities and challenges of this sector and how they can be addressed through the monetary policy that will be implemented by the Central Bank in the coming years.

5.2 Prospects of the tourism industry

The official start of tourism development in Nepal was in 1952, after the establishment of democracy. Since then, the tourism sectors have been gradually developed and expanded. In 1962, more than 6000 tourists visited but in 2011, around 10000 tourists visited Nepal by air and land. These two statistics confirm that there has been a significant increase in the tourism sector. The contribution of the tourism sector to the gross domestic product has different countries of the world. In Latin American and Caribbean regions, the contribution of the tourism sector to the total national product was around 19% in 2014. In Mexico, as in the case of countries like Jamaica, this number is very low. The impact of national production on the national economy is also different due to the attraction of foreign tourists, etc.

The tourism sector occupies an important place in the Nepalese economy. About 8 million tourists from different countries come to visit Nepal every year, and it earns about 22.825 million in foreign currency. It has contributed 20% of the total employment in the economy and 3% of the gross domestic product. Tourism is an industry related to production activities. It also helps the tourists who come to visit the country earn money by selling goods and services. Besides helping to increase new economic activities, it contributes positively to various economic aspects such as the balance of payments, job creation, total income and productivity growth^[6].

Agriculture, tourism, and water resources are the three main bases of the Nepalese economy. Tourism is also an important base. With the recent rate of outflow of skilled and unskilled human resources, the Nepali economy can be made more viable through the expansion and development of the tourism sector than through the development of agriculture and water resources. The tourism sector contributes to the country's total domestic product and employment.

While analyzing the contribution, it should be said that tourism is the basis of sustainable development in the country. There are many opportunities and bases for the development and expansion of tourism in the Nepalese economy, such as geographical, natural, cultural, religious, and mythological ones. All doors should be kept open, starting at the policy-making level, to move these bases towards their destination.

Since Nepal's plains, hills, and mountains have different lifestyles. Customs and traditions have an understanding of the differences in nature. Tourism can be developed accordingly and the products can be combined at the national level. Due to all seven provinces falling under the federal characteristics, targeted programs can be conducted to achieve the goal of sustainable development in the tourism sector. Special attention should be given from the state level to developing infrastructure in potential areas while encouraging investment from the private sector. Emphasizing regional production and attracting tourists to use the goods and services produced by available resources at the local level. Its contribution to the total domestic product of the country can be increased. There are many tourist destinations within the geographical location, and natural and mythological heritage should be continued.

5.3 Potential for energy and water

Nepal's hydroelectric process, which started in 1911 with 1500 kilowatts of Farping hydro-electricity, had produced 6380 kilowatts of electricity by 2018. As of 2021, the electricity produced by the Nepal Electricity Authority is 636.69 megawatts, while the private sector's is 712.05 megawatts, amounting to 1348.74 megawatts. According to the Nepal Electricity Authority, more than 2200 megawatts of electricity have been produced in Nepal in the year 2023. Similarly, 180 megawatts of electricity are sold daily in India. Nepal has been importing up to 60 megawatts of electricity from India every day for the Far West region at a time of high electricity consumption^[7].

According to projections, the peak load on 18, 2020 will be 1644 KW, peak load from 2021 to 2024

will be 2222 KW, the peak load from 2025 to 2026 will be 4078 KW, and the peak load in 2027 will be 4708 KW. In order to increase the supply by generating the electricity required by Nepal. The Gandaki project is working on 225 MW, Arun's first 200 MW, Arun's second 200 MW, Budhigandaki's 600 MW, and Kaligand's second 500 MW of production capacity. Similarly, Nepal should adopt a policy of producing the electricity it needs and selling electricity to India and Bangladesh at a cheap rate by constructing the second largest hydro-electric project. Among the projects, India has shown interest in, there is a possibility that huge projects like 7000 MW Pancheswar, 10000 MW Karnali and 7000 MW Koshi High Dam can be advanced.

In terms of land use, Nepal can build 12 dams and store water, generate 1,500 megawatts of electricity from 500 cubic meters of water in winter, and sell it to India and Bangladesh at a low cost. Similarly, this water can be provided to India and Bangladesh for irrigation and other purposes. Out of 3 million hectares of irrigable land in Nepal, one million hectares have been irrigated. This water can be used to irrigate the remaining part and earn a lot of income through agricultural production.

Agricultural productivity can be increased by the proper development of irrigation in Nepal. About 90% of the workforce is dependent on agriculture, contributing about 66% to the total national product. To increase its contribution, production and productivity should be increased for which irrigation is mandatory. Most of the rivers flowing in Nepal receive 200 billion cubic meters of water. It is estimated that there may be about 63 billion cubic meters of water under the land of Terai. The result of this water can play a very important role in the development of Nepal. About 6500 hectares of land have been irrigated through the Kanchanpur scheme. Sarada project 2800 hectares in Siraha, 3800 hectares in Banke from Rapti, 1200 hectares in Lothar, 1300 hectares in Rajapur, 8000 hectares in Baranganga, and Sunsari 66000 hectares from Morang, 200000 hectares from Kosi, 43000 hectares from Babai irrigation, 40000 hectares from Gandak scheme, and 4000 hectares

from Babai scheme have reached irrigation facilities. Apart from this, if all the rivers can be connected in the power zone area from west to east through the canal network, irrigation can be done easily in all parts of the Terai.

5.4 Herbs and its earning

In Nepal, herbs are especially abundant in the Himalayan, hilly, and Terai regions. There is a lot of potential for different crops. The standard of living people can be improved by the proper development and utilization of conservation funds. Income can be increased by collecting medicinal and aromatic herbs scattered throughout the country. Collected crops have become a means of providing raw materials for the domestic industry. Job creation and huge revenue growth can be achieved through foreign exchange and earnings. The herbs can be collected properly and can be commercially useful to develop through farming.

Species of herbs have been identified for 700 in Nepal. More than 80,000 tons of herbs are produced annually. Various studies have shown that the market share of Nepali herbs in the world market is 0.2% and 90% are being exported as raw materials from Nepal to India and China. Nepal has been exporting herbs 5.5 billion rupees annually^[8]. There is a demand for processed herbs in the Indian market. It is necessary to arrange for the proper collection and processing of herbs at the local level. It will benefit the poor and low-income people who are dependent on the same profession. The fact that treatment has been going on in the village for thousands of years can be studied in the introduction to herbs. Three hundred years ago in Nepal, Jaipratap Malla established a homoeopathic centre to manufacture and treat medicines from existing herbs in the country.

Although the area of Nepal is small, it is rich in natural resources due to its geography, biological diversity, and climate. At present, herbs have been used as a traditional livelihood for most of the people in the Himalayan and hilly areas. Apart from this, Mother Tincture was produced from homoeopathic herbs in Germany and presented to the world. If it is

successful, Nepal also has a lot of potential to gain economic benefits by becoming a hub for herbs. The government should play the role of a supporter by improving the policy, and sector structure and creating a comfortable environment for the collection, processing, and transportation of wasted herbs.

5.5 Increase and use indigenous agricultural products

If agriculture is developed, the country becomes self-reliant and employment is generated. The essentials for people are hemp, basic cotton, and health care. Even when the country's economic situation is in crisis, agricultural products help to protect people. The condition of people who earn their livelihood by making agriculture their main profession or business is normal. A person who produces agricultural work on private land or rents it to a company that runs an agricultural farm, group, cooperative, or business organization can also be formed. He works to produce things necessary for humans by utilizing water, land, and air. Farmers prepare the food items that are necessary for life by combining natural and human labor.

The country's economy is in a critical state in Nepal due to the state's indifference to the rights of the farmers and the agro profession is collapsing. In Nepal, 60.4% of the people dependent on agriculture have been cultivating 21% of the 3091 lakh hectares of land. According to the statistics of the Agriculture Department, as of 2021, food crops totalling 11,120,512, cash crops totalling 6,807,006, pulses 2,943,355, and other crops totalling 6,053,788 metric tons had been produced. Annual animal production is expected to be 95,322,382 and fish production is expected to be 104,000 metric tons. The state has not shown any interest in pricing these products or market management, which is necessary for the future (SAD, 2021)^[9].

In order to reduce the trade deficit based on indigenous raw materials and import substitution and to emphasize the production and consumption of consumer goods of the same nature, the current government has instructed all government agencies to use internal production. Although the goods produced

in Nepal are up to 15% more expensive than foreign goods, the government has instructed people to purchase domestic products while public bodies are purchasing stationery, furniture, fixtures, machinery, tools, etc. given the twelve-point directive, which emphasizes the use of domestic production.

According to the rule of seventeen of the Public Procurement Regulations 2007, there is a provision that Nepali goods must be purchased even if the goods produced in Nepal are up to 15% more expensive than foreign goods. The Nepal Federation of Commerce and Industry, the Confederation of Nepal Industry, the Trade and Export Promotion Center, and the Nepal Chamber of Commerce and their subordinate bodies have published the details of hospitality and tea, lunch, and the certificate of origin of indigenous goods or goods on their website. The public body can purchase domestic goods based on this description; the producers of domestic goods must list their products with the public body; and the provinces and local levels have also been instructed to follow and purchase this guide as a guide regarding the use of domestic goods.

According to Section 13 of the directive, the details of the purchase of indigenous goods by public bodies must be sent electronically to the central implementation and monitoring committee every three months. Commissions, ministries, or subordinate bodies should monitor their offices according to the guidelines. Priority should be given to the indicator of whether or not domestic goods are purchased. Prices and local levels should create a mechanism for the implementation of the guidelines.

"Make in Nepal, Made in Nepal" for the industrialization and development of the productive economy of Nepal has been launched. The government plans to reduce the trade deficit by protecting domestic products, identifying exportable goods and goods with comparative advantages, and increasing competitiveness. In the budget for industrialization and domestic production enhancement, "production growth campaign decade year 2022 to 2032", the Prime Minister's Nepali Production and Consumption Enhancement Program has been announced for

the growth of Nepali production, job creation and export-oriented business enhancement.

It seems that the announcement about advancing the private sector as an engine of economic growth will contribute to the development of the private sector in Nepal. The announcement encouraging the establishment of productive industries by connecting micro, domestic, and small industries in forward and backward integration will contribute to the promotion of small businesses. In order to achieve the goal of high economic growth, it is necessary to mobilize resources from the public and private sectors. It has been encouraging the private sector to produce goods, export promotion, and import substitution, and has kept industrialization and agriculture at the center. The state has announced that it will change the nature of the Nepalese economy and lay the foundation of a productive economy. It is understood that this will increase the consumption of goods produced in Nepal and contribute to the expansion of domestic industry.

If foreign investment is not a hindrance to the private sector but rather an environment where it should be seen as an asset, foreign investment will bring capital, technology, managerial skills and an excellent work style. It will be beneficial for domestic investors and products. There are examples of some institutions in Nepal becoming more competitive than before due to the influx of foreign investment. It is also seen that the quality of goods and services produced by foreign investment is good. Foreign investments should be made by making qualitative leaps in the fields of modern technology and management, and when foreign investment comes, qualitative leaps can be made in the fields of technology and management. It seems that Nepal should attract foreign investment in the fields of airports, tourism, hydropower and tunnel construction etc. Foreign investment is also needed in large hydropower projects, and foreign investment can be brought into tunnel routes as well.

5.6 Efforts to increase domestic production

To increase the export of domestic goods, the

state should take initiatives for economic and diplomatic activities for embassies abroad. Controlling the uncontrolled entry of expensive goods from abroad, stopping customs fraud, and controlling illegal trade and imports will reduce the trade deficit. The government is coordinating with the concerned parties to reduce the cost of transportation in foreign trade. It is said to be used. It is considered important in the trade between Nepal and India as it is located near the Haldia seaport. If the issue of using the waterway terminal under construction in Haldia is also connected with the issue of using the waterways, the transportation cost will be reduced a lot. As the waterway is relatively cheaper for sea trade, it has been given priority. India put this waterway into use in 2018, and the World Bank has spent more than 140 billion dollars on such infrastructure development.

Estimates by the government, World Bank and Asian Development Bank about the economic growth rate of Nepal this year are different. The government has estimated that the economic growth rate will be 6%, while the Asian Development Bank has predicted that the economic growth rate will be 4.9%, and the World Bank has predicted that the economic growth rate will be 3.9%. The share of the agricultural sector in the total domestic production of Nepal is 27%, while the contribution of rice to agriculture is 20% of production (World Bank, 2021)^[10].

According to the customs department, by January 1980, Nepal had imported rice worth more than 25 billion 78 million rupees. During the review period last year, rice worth 35 billion and 63 million rupees was imported into Nepal. At the same time, there has been a decline of around \$10 billion in rice imports into Nepal. This year, one million 31 thousand 213 kg of rice worth 42.7 million 70 thousand rupees has been imported for seeds. Similarly, Nepal has imported 394.6 million kilos of rice worth 14.26 billion rupees. According to the data released by the Ministry of Agriculture, in the financial year 2021/22, 5130 thousand and 625 metric tons of rice were produced in Nepal, while in 2022, 5486 thousand and 472 metric tons of rice were produced in India. This year, 355 thousand and 847 metric tons of rice have

been grown.

This year, per-hectare productivity has increased by 3.79% while the overall rice production growth rate has increased by 6.94 % compared to last year. There is a decrease in rice production in an area of 20000 hectares. Paddy was planted in a total area of 1477 thousand 378 hectares, while this year it was planted in an area of 1447 thousand 789 hectares. In Madhes province, the maximum area of 375 thousand hectares and 340 acres were planted. The production in that place increased by 0.18% to 1.386 thousand 328 tons of rice. Although Nepal consumes an average of 112 kg of rice annually, that rate has increased to 130 kg. During the review period, Nepal has collected 1 billion, 462 million and 23 thousand dollars in revenue from rice imports ^[11].

In order to reduce the trade deficit, either import must be replaced or the country's exports must be increased. The growth rate of the industry in five years will be less than 3%. Due to low production, daily consumption of luxury goods, and increased consumption due to remittances, the trade deficit is shrinking. Similarly, there is a shortage of raw materials needed for indigenous products in the country. Nepal's trade deficit has not been reduced due to the non-discovery of value-added products abroad and a lack of product quality and certification. Quality testing laboratories should be developed in the country, and substandard foreign goods should be banned. Imports of petroleum products, electronic materials, automobiles, jewellery, cosmetics, etc. have increased significantly. The former president of the Federation of Nepalese Industries and Commerce says that increasing the export of domestic goods is the most appropriate way to reduce the trade deficit, which is increasing day by day. The government should make the export subsidies effective and simple. Policy arrangements should be made to encourage products that contribute significantly to exports and can add high value.

5.7 Development of small and medium industries and employment opportunities

Small and medium industries are developed as

enterprises that make the economy run by operating from their limited resources. MSMEs are defined on the basis of capital investment, annual sales, assets, employees, etc. According to a study conducted by the World Bank, formally registered domestic and small industries contribute 60% of total employment, 80% of new formal job creation, and 40% of gross domestic product to national income in emerging economies. Such industries contribute about 22% to Nepal's economy. There is a figure of 2 million employed ^[10].

A study conducted by the National Bank has shown that small and medium enterprises are not able to use financial instruments and products to start and commit to their businesses. The study shows that small and medium businesses in Nepal contribute 22% to the gross domestic product. In addition, about 1.7 million jobs have been created. Looking at the financing situation of small and medium businesses in Nepal, at the end of June 2019, banks and financial institutions provided 3.26% of the total outstanding loans to small and medium industries except agriculture, energy, and tourism. By January of 1980, the decline in this situation was limited to 1.25%. The role of small and medium enterprises is important in all economies. They have significantly contributed to job creation, gross domestic product, and export promotion. In countries with emerging economies, small and medium industries seem to contribute up to 60% of total employment and 40% of total domestic product. 96% of the total businesses in the Asia Pacific region are small and medium enterprises. They employ 62% of the total workforce. According to the Asian Development Bank, small and medium industries account for 40% of exports in India and China.

It has been shown that most of the small and medium businesses in Nepal have raised financial instruments from sources other than the banking sector. It has been seen that the small and medium enterprises included in the study used an average of 33% from the sources of ancestral wealth, 26% from their own savings, 16% from banks and financial institutions, and the rest from other sources. The study

showed that after the operation, they were able to use the bank and financial instruments. It has been found that about 50% of the operating small and medium businesses have taken loans from banks and financial institutions, and 85% of them have received financial instruments from commercial banks.

Entrepreneurs consider the need for real estate collateral and procedural hassles as major problems in getting loans from the banking sector. Due to the lack of institutional capacity and the possibility of credit abuse, sufficient credit has not been provided to small and medium businesses. Sufficient venture capital and private equity companies have not been developed for the financing of small and medium businesses in Nepal. Some venture capital and private equity companies are operating. In order to promote such companies, the Nepal Securities Board has issued Specialized Investment Fund Regulations, 2018. Regarding the capital market, there is no separate securities market for small and medium enterprises. There is a problem with financing small and medium businesses in Nepal. At present, 34 thousand 512 cooperative organizations, including 13 thousand 578 savings and loan cooperatives, have supported the financing of small and medium enterprises.

5.8 Future way for solution

Foreign trade is at a loss. More than one year's budget of Nepal, the government has become a debt liability. Foreign debt has surpassed 20 trillion and now stands at 80 trillion. The government is obliged to allocate a large amount of money to the budget every year for foreign loan repayment and interest payments^[12]. The foreign trade deficit has reached around 90%. The only alternative is to increase domestic production. Remittances are the source of foreign exchange earnings, we cannot be sure that the economy will be stable and sustainable depending on this. In order to create an environment of economic activity in the country and pay attention to liquidity management, the government should continue to strengthen the domestic production sectors, including the Agriculture CP Act, 2015^[13]. The daily life

of ordinary citizens may become very painful due to the economic recession.

The state should dare to identify the potential areas of Nepali production and increase investment in that area to make the livelihood of the common people easy and simple. There is an urgent need to stop the country's youth and capital from migrating abroad. Due to Nepal's import oriented tax revenue, the government will not be able to achieve its target income with the decrease in imports. Due to the rectangular economy, it is necessary to conduct programs that can be done through exports in addition to remittances as a source of foreign exchange earnings^[14]. The economic crisis that may occur in Nepal at any time can be dealt with. Even though the import of goods is stopped during the economic crisis, when domestic production is increased, it cannot cause a big deviation, and the people's livelihoods remain normal. Therefore, it will be in the interest of the country and the people to further tighten domestic production and consumption.

The government of Nepal should identify the pockets of local production and organize activities accordingly. If local resources and tools are identified, an environment of easy supply of raw materials is created; the industries will start opening gradually. As the industry opens, all kinds of local raw materials found there get a market. Because of the market, people lose a lot of job opportunities and other opportunities. As employment increases, there is no time for people to sit empty-handed. When the opportunity for a working environment is created, as the income level of every person rises, life and daily life become very easy from a public-private partnership relationship^[15].

The purchase of goods produced by farmers has been sold to reach consumers through brokers. There is a situation where the farmers are not getting their price on the other hand; there is a situation where the farmers are fleeing from the agricultural profession. They are forced to leave the agricultural profession and embrace other professions. When the gift of natural land is given to private ownership by the state, there is a situation where the farmer does not get it

when there is housing or a plotting area on arable land. There is also a situation where people have to pay expensive rent for land that is either available or not available. Such an environment makes it difficult for the agricultural profession to increase production. Fertilizers, seeds, irrigation, medicines, environmentally friendly technologies, and other services required for agricultural production are far beyond the reach of farmers. Such tasks should be made simple and easy. The state should start all kinds of efforts to commercialize agriculture and remove policy and legal complications: agriculture, industry, tourism, hydropower, and forestry^[16]. It is necessary to develop skills by opening small and medium-sized industries that produce herbs and indigenous raw materials. To increase the amount of investment from the state in capital construction, to use action plans, programs, and strategic business plans, to commercialize land, to arrange loans at simple interest rates in the production sector, to restrict the purchase of real estate and luxury goods, to discourage loans from VAC in such areas, and to improve the biological quality of the soil. In order to increase the salvage production, promote the cultivation of advanced varieties of rice with an emphasis on the production of organic fertilizers, through which waste management can be done and the use of chemical fertilizers can be replaced.

6. Conclusions

In Nepal, the production and use of indigenous products is decreasing. Due to this, the environment of self-employment of citizens is gradually disappearing. If this type of problem is not solved in the long term, the contribution of internal resources to the total gross domestic product will decrease and the life of the citizens will become more difficult. Increasing domestic production creates opportunities to reduce imports and balance foreign trade. It reduces imports and helps increase exports. Increasing exports also means creating an environment in which citizens and the country become empowered. If the government is able to identify the areas of production and increase the access of the common people to the production of domestic goods through an invest-

ment-friendly environment, there may be a wreckage situation in the supply chain.

Due to a lack of domestic production and remittances of foreign currency, the Nepali economy is currently in crisis. The budgeted funds for capital projects are put off by the government, and Nepal's annual budget is outstripped by the debt generated from donor loans. As a result, when imports surpass exports, the economy of the nation becomes vulnerable and dependent. Due to a total market share for imported goods and low levels of domestic manufacturing, Nepal's current account deficit is concerning. To maintain a balance between imports and exports, it is important to encourage domestic capital development, local resource and equipment use, and export growth.

The market is expanded by increasing the output of locally produced goods, economic dependency will decline and attention to self-sufficiency will rise. A socialist-oriented economy, where the state participates in the equitable distribution of commodities and services, is what the Constitution of Nepal 2072 envisions. To lessen economic dependency and put more emphasis on self-sufficiency, Nepal should enhance its capacity to balance imports and exports. To support the Nepali economy and lessen dependence, internal manufacturing should be raised. State policies, plans, and programs should be successfully implemented in order to increase domestic output while boosting exports.

Conflict of Interest

There no conflict of interest.

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