Nepal finds itself at a critical crossroads in its economic trajectory as it contends with the dual challenges of soaring debt and dwindling revenue, raising concerns about the nation's overall financial stability. Recent fiscal data reveals a worrisome trend, with the total debt skyrocketing from NRs. 523 billion in the fiscal year 2011/12 to an alarming NRs. 2297 billion in 2022/23.

The debt escalation is accompanied by a rare downturn in revenue, presenting a significant strain on Nepal's Gross Domestic Product (GDP). The fiscal year 2022/23 marked a noteworthy event as the country witnessed a decrease in revenue compared to the previous year, breaking a 15-year streak of consistent growth.

Adding complexity to the economic challenges is the structural composition of the debt. Over the past two decades, domestic debt has outpaced foreign debt significantly. The interest rate on domestic debt stands at 6.19 percent, a notable contrast to the lower 0.93 percent interest rate on foreign debt. This composition translates into substantial financial obligations for Nepal, requiring payments of NRs. 330 billion in FY 2080/81, NRs. 435 billion in FY 2081/82, and NRs. 520 billion in 2082/83.

Addressing these pressing challenges demands a strategic and comprehensive approach from the government. A realistic budget, grounded in a thorough analysis of the country's potential and capacity, is imperative. Furthermore, proactive measures to boost revenue, trim unnecessary expenditures, and strategically invest in key sectors should be prioritized to ensure a sustainable economic future for Nepal.
Nepal Grapples with Escalating Debt and Declining Revenue