

# Survey Report on Foreign Direct Investment in Nepal (2021/22)



**Nepal Rastra Bank**  
**Economic Research Department**

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## Foreword

Global foreign direct investment experienced a slowdown in 2022 posing challenges to developing economies. UNCTAD (2023) reported a decline in global foreign direct investment (FDI) by 12.4 percent in 2022 after a strong rebound in 2021. Such a decline in FDI inflows will pose a significant challenge in developing economies which are in greatest need of investment. The importance of FDI remains even more pertinent for Nepal given the considerably increasing resource gap in the economy. Not only is the FDI vital for capital formation and investible resources for Nepal, but its significance cannot be ignored for the transfer of technology, skills and managerial as well as organizational practices it brings along.

The Foreign Direct Investment Survey (2021/22) aims to provide valuable insights to all stakeholders about the current status of FDI in Nepal. The analysis of FDI including its trend, and stock across the sectors, and countries is important information for policymakers to assess the existing situation along with policies and commence reforms in this sector.

I would like to extend my sincere gratitude to companies with FDI and other stakeholders for providing the required data and participating in the survey. Further, I would like to thank the study team of the Economic Research Department comprising Acting Director Dr. Birendra Bahadur Budha, Deputy Director Ms. Sona Rana, and Assistant Director Ms. Merina Shrestha for their valuable efforts in processing and analyzing data and carrying out the report in this form. I would also like to thank Director Dr. Dilli Ram Pokhrel, Deputy Directors Mr. Medani Prasad Pokhrel, Mr. Janak Raj Sapkota, Ms. Swechhya Shakya, Assistant Directors Mr. Anil Lama, Mr. Rolendra Bikram Jabegu, Mr. Madhu Bhandari and Assistant Mr. Sharish Man Joshi for their contribution to this survey work.

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## Executive Summary

1. Foreign Direct Investment (FDI) plays an important role in the economic development of developing countries. In addition to capital formation, FDI is mainly driven by investors aiming to make long-term profits through the transfer of technology, management expertise and access to global markets. Nepal has adopted liberal economic policies with several incentives to establish an investment-friendly environment to attract FDIs into the economy.
2. This report presents the latest data of FDI stock in Nepal and provides the estimates of inward direct investment position or the FDI stock at book value and country-wise as well as sector-wise distribution of FDI stock at the end of 2021/22.
3. The survey offers a detailed overview of the face value of foreign liabilities of Nepalese companies established in FDI. These statistics are used as inputs in the compilation of Balance of Payments (BoP) and International Investment Position (IIP).
4. The survey covers 231 firms out of 694 companies that have taken FDI approvals from Nepal Rastra Bank up to 2021/22. The details on FDI stock are obtained from the financial statements of the surveyed companies as well as from the standard questionnaire. The FDI stock is valued using the company's value appearing in the statement of financial position as shareholder's equity and debt from foreign direct investors.
5. The survey shows that the stock of FDI in Nepal increased by 16 percent to Rs.264.3 billion at the end of 2021/22. Paid-up capital is the major component in FDI stock as it accounts for 53.7 percent of total FDI stock whereas the reserves and loans in total FDI stock accounts for 31.7 percent and 14.6 percent respectively.
6. Nepal has received foreign investment from 57 different countries as of mid-July 2022. In terms of total FDI stock, India ranks top position with Rs.88.6 billion followed by China (Rs.33.4 billion), Ireland (Rs.20.9 billion), Singapore (Rs.16.1 billion), and Saint Kitts and Nevis (Rs.15.1 billion).

7. Industrial sector accounts for 62.6 percent of total FDI stock. Of which, electricity, gas, steam and air conditioning sector constitutes 32.8 percent and manufacturing sector 29.5 percent of total FDI stock.
8. About 37.3 percent of total FDI stock is in service sector. Of which, financial and insurance services sector constitutes 25.6 percent, accommodation and food services sector 5.3 percent, and information and communication sector 4.8 percent of the total FDI stock.
9. The electricity, gas, steam and air conditioning sector, particularly hydropower sector, in Nepal has been a preferred sector for FDI in recent years. The latest survey shows that 32.8 percent of FDI stock and 41.8 percent of total paid-up capital is in this sector. Moreover, hydropower sector has also attracted other sources of external financing such as foreign loans in addition to FDI; the electricity, gas, steam and air conditioning sector accounts for 41.4 percent outstanding foreign loan at the end of 2021/22.
10. The capacity utilization of FDI based manufacturing companies stands at 71.1 percent, while the profitability of FDI companies remains at 14.3 percent in the review year.

## Chapter I: Introduction

### Background

- 1.1. Foreign Direct Investment (FDI) plays a significant role in the economic development of developing economies.<sup>1</sup>The infusion of FDI serves as a mechanism for bridging gaps in domestic capital availability to sustain a desired economic growth and development trajectories. FDI brings not only financial resources but also advanced technology, managerial expertise and access to global markets.
- 1.2. Nepal has initiated institutional and legal reforms in recent decades with the aim of promoting FDI to complement the resource gap in capital formation. Gradual liberalization of FDI inflows in various sectors has been encouraged by creating an investment-friendly environment and prioritizing foreign investment-related reforms. There are several legal framework for guiding and encouraging FDI in Nepal as follows:
  - a) Foreign Investment Policy, 2015,
  - b) Foreign Investment and Technology Transfer Act, 2019 (FITTA),
  - c) Public-Private Partnership and Investment Act, 2019,
  - d) Industrial Enterprises Act, 2020,
  - e) Institutional reforms such as the establishment of One Stop Service Center to facilitate foreign investment, and
  - f) Nepal Rastra Bank Foreign Investment and Foreign Loan Management By-law, 2021 (Second Amendment).
- 1.3. Reliable FDI statistics is crucial for the analysis of its trend, and cross-border financial assessments. Moreover, it is important to identify the sources of foreign investments (partner countries) and recipient industries. Such data helps policymakers to attract and utilize foreign investment and formulate evidence-based

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<sup>1</sup> Organization for Economic Cooperation and Development (OECD, 2008) defines direct investment as a category of cross-border investment associated with a resident in one economy (direct investor) having control or a significant degree of influence on the management of an enterprise (direct investment enterprises) that is resident in another economy other than that of direct investor.

policy. In this context, NRB has conducted this survey to update FDI statistics in Nepal up to 2021/22.

## Objectives

1.4. The specific objectives of the survey are:

- To update and compile the FDI stock of Nepal by counterpart economies and economic activities, and
- To compile the liabilities component (particularly FDI stock) of the International Investment Position (IIP) statement of Nepal.

## Methodology

1.5. This study is primarily based on survey data collected from companies<sup>2</sup> that have taken FDI approvals from Nepal Rastra Bank (NRB). A structured questionnaire has been prepared and administered through a field survey and email correspondence. Furthermore, the financial statements of surveyed companies have been reviewed to verify the data and information collected.

1.6. Data and information are also gathered from various governmental, and non-governmental agencies as well as FDI-related published reports. This study has employed a descriptive approach to present the results and findings of the survey.

1.7. The population is classified into three distinctive groups based on the size of the capital of companies (Table 1). Accordingly, the survey has been conducted across all groups. In total, 231 companies<sup>3</sup> were surveyed which covers 93.8 percent of large-size companies (45 out of 48 companies), 88.2 percent of medium-size companies (30 out of 34 companies), and 25.5 percent of small-size firms (156 out of 612 companies).

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<sup>2</sup> The list also includes FDI companies that have recorded FDI at end of 2021/22. The list published by Department of Industry shows a large number of companies registered for foreign investment but a considerable number of such registered companies have not brought in FDI.

<sup>3</sup> A total of 197 companies were surveyed in the last fiscal year.



**Table 1: Sample Size**

Group	Number of Firms			Capital (Rs. Million)*		
	Total	Sample	Share (%)	Total	Sample	Share (%)
Large	48	45	93.8	216,751.2	214,269.9	98.9
Medium	34	30	88.2	12,770.7	11,587.7	90.7
Small	612	156	25.5	-1,932.1	-528.0	27.3
<b>Total</b>	<b>694</b>	<b>231</b>	<b>-</b>	<b>227,589.7</b>	<b>225,329.6</b>	<b>-</b>

\*For sample purposes, capital as of mid-July 2021 is taken as a reference that includes total FDI stock as of mid-July 2021, new FDI inflows as well as FDI accounting done during 2020/21.

- 1.8. The FDI stock is valued using the company's value in the statement of financial position as shareholder's equity and debt from foreign direct investors.

### *FDI Compilation Method*

- 1.9. Organization for Economic Cooperation and Development (OECD, 2008) disaggregates FDI stock or position into equity and debt. Equity positions of FDI stock cover all components of shareholders' funds (proportionate to the percentage of shares held by foreign direct investors). Therefore, it includes equity, contributed surplus, reinvestment of earnings, revaluations, as well as any reserve accounts. Debt positions of FDI stock include loans<sup>4</sup> and borrowings, and debt from foreign direct investors.
- 1.10. This survey distinguishes the equity portion of FDI stock under paid-up capital and reserves headings, and the debt portion of FDI stock under loans heading<sup>5</sup> and disaggregates FDI stock by major industry sectors based on International Standard Industrial Classification (ISIC)<sup>6</sup>.
- 1.11. The final FDI stock reported in this survey consists of two parts: aggregation of FDI stock as reported by the sampled units and estimation of FDI stock for other non-sampled firms. The estimation has been made based on the ratio derived from the

<sup>4</sup> The procedure for taking approval to obtain foreign loan by any Nepalese individual, firm, company, bank and financial institutions or other associations has been clarified by Nepal Rastra Bank Foreign Investment and Foreign Loan Management by-law, 2021 (Amendment II).

<sup>5</sup> Other capital (share application money, share premium) attributed to foreign direct investors are also accounted under this heading.

<sup>6</sup> Revision 4

FDI stock value reported by firms with respect to their approved amount for investment.

$$x_j = \frac{\sum r_{ij}}{n_j}$$

Where  $n_j$  is the number of sampled firms in group  $j$ ,  $r_{ij}$  is the ratio of realized capital to approved capital of an individual firm  $i$  which was included in the sample from group  $j$ , and  $x_j$  is the average ratio of realized capital to approved capital of firms in group  $j$ . And,  $j$  stands for the groups: small, medium and large. The average ratios were calculated separately for all categories and FDI stock is estimated by multiplying this ratio with the approved FDI amount.

### **Limitations**

- 1.12. This survey is solely based on the list of industries that have taken FDI approvals from NRB which differs in number than those registered in the Department of Industry, Government of Nepal.
- 1.13. As the primary focus of the survey is to collect FDI stock, it includes only descriptive statistics related to the FDI.

## Chapter II: Trend of Foreign Direct Investment

### Global and Regional Trends in FDI Flows

- 2.1. The World Investment Report 2023 published by UNCTAD shows that global FDI inflow decreased 12.4 percent to USD 1,294.7 billion in 2022 from USD 1,478.1 in 2021. The Russia-Ukraine war, high food and energy prices, fears of a recession, and debt pressures resulted in the decline of FDI inflows around the world (UNCTAD, 2023).
- 2.2. FDI in developed economies decreased 36.7 percent to USD 378.3 billion in 2022 from USD 597.2 billion in 2021. However, inflows to developing economies increased 4.0 percent to USD 916.4 billion in 2022 from USD 880.9 billion in 2021.

**Table 2: FDI Inflows by economy and region** <sup>7</sup>

(US\$ Billion)

Year	2017	2018	2019	2020	2021	2022	Percent Change
							2021
World	1,644.9	1,375.4	1,707.8	962.0	1,478.1	1,294.7	-12.4
Developed economies	943.2	678.2	998.7	315.5	597.2	378.3	-36.7
Developing economies	701.7	697.2	709.1	646.5	880.9	916.4	4.0
Asia	504.4	497.3	503.5	516.5	662.1	661.8	-0.05
China	136.3	138.3	141.2	149.3	181.0	189.1	4.5
Singapore	85.4	73.6	97.5	72.9	131.2	141.2	7.7
Hong Kong-China	110.7	104.2	73.7	134.7	140.2	117.7	-16.0
South Asia	46.6	49.9	57.6	69.7	51.3	55.9	9.0

Source: UNCTAD (2023)

- 2.3. FDI inflows to Asia decreased 0.05 percent from USD 662.1 billion in 2021 to USD 661.8 billion in 2022. The region remains the largest recipient of FDI, accounting for 51.1 percent of global FDI (UNCTAD, 2023). However, the inflows are highly concentrated among its largest recipients: China (USD 189.1 billion), Singapore (141.2 billion), and Hong Kong-China (USD 117.7 billion).
- 2.4. In contrast to global trend, FDI inflows to South Asia increased 9 percent to USD 55.9 billion in 2022. FDI in India, the largest FDI recipient of the sub-region,

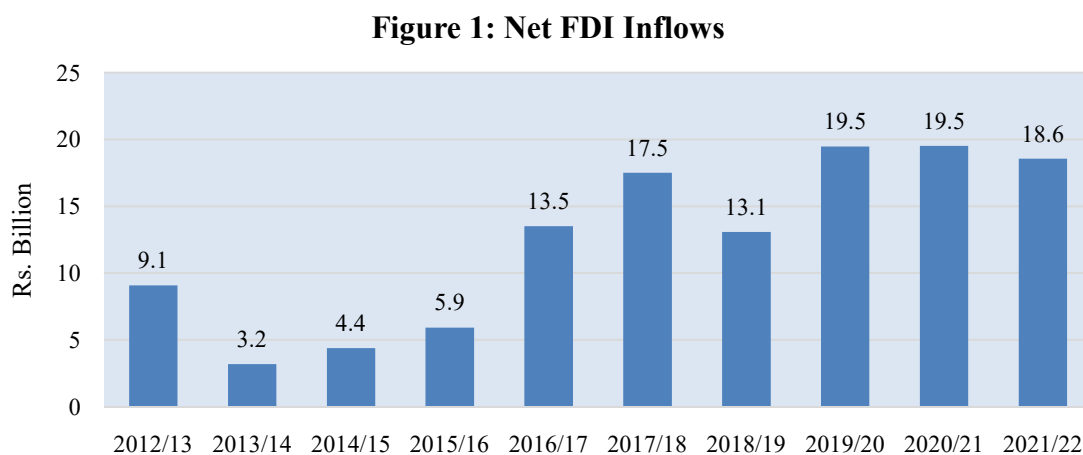
<sup>7</sup> FDI Data may differ from previous report as data are continuously updated by relevant national authorities.

increased 10.3 percent with inflows of USD 49.4 billion in 2022. The trend of FDI inflows to the sub-region is presented in *Appendix I*.

## FDI Inflows to Nepal

2.5. In line with global trend, gross FDI inflows decreased 3.5 percent to Rs.19.2 billion in 2021/22. The divestment of foreign investment (repatriation of investment) during 2021/22 remained at Rs.658.7 million which is around 3.4 percent of gross FDI inflows (NRB, 2022).

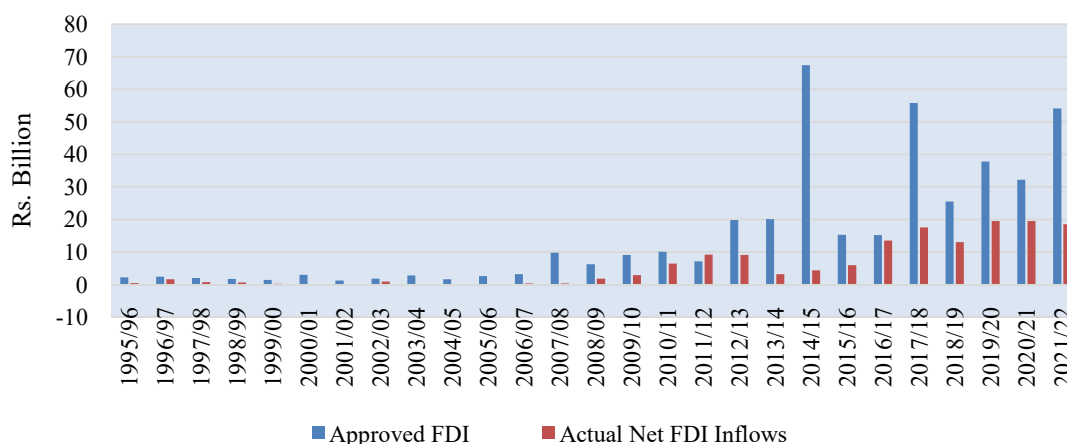
2.6. Net FDI inflows to Nepal decreased 4.9 percent to Rs.18.6 billion in 2021/22 (Figure 1).



Source: NRB (2022)

2.7. There is a significant gap between approved FDI and actual net FDI inflows in Nepal. Figure 2 shows the evolution of approved FDI and actual net FDI inflows over the period. Between 1995/96 and 2021/22, total actual net FDI inflow stood at around 36.2 percent of total FDI approval (Appendix II). The FDI approval may simply indicate an intended investment (the approved investment may not actually take place) or there may be significant time lags between approval and actual investments. In some instances, the realization of the approved investment may take place over several years as usually seen in projects with longer gestation periods. As a result, there exists a gap between FDI approval and actual FDI inflows.

**Figure 2: Approved FDI and Actual Net FDI Inflows**



Source: MOICS (2022), and NRB (2022)

## Dividend Repatriation

2.8. In 2021/22, Rs. 15.7 billion was approved for dividend repatriation by companies with foreign investment. The highest dividend repatriation approval was for the manufacturing sector followed by the information and communication sector (Table 3).

**Table 3: Dividend Repatriation**

Rs. Million

	Sectors	2019/20	2020/21	2021/22
1	Agriculture, Forestry and Fishing	-	-	3.0
2	Construction	50.0	-	52.2
3	Electricity, gas, steam, and air conditioning	32.3	3,816.2	1,678.1
4	Manufacturing	7,527.1	6,747.7	7,315.5
5	Mining and Quarrying	-	-	-
6	Accommodation and food services	42.9	-	1.9
7	Education	347.7	303.0	-
8	Financial and Insurance Services	4,799.6	868.3	1,089.3
9	Human Health and Social Work	2.3	-	-
10	Information and Communication	-	13,984.1	5,402.8
11	Transport and Storage	4.1	-	25.7
12	Other	97.1	357.3	106.6
	<b>Total</b>	<b>12,903.1</b>	<b>26,076.6</b>	<b>15,675.2</b>

Source: NRB (2022)

## Chapter III: Foreign Direct Investment in Nepal: Survey Results

3.1. This chapter summarizes the results of the survey related to FDI stock in Nepal as of mid-July 2022. The comparison across the previous survey reports needs to consider the change in coverage due to the addition and removal of companies that have received FDI.

### FDI Stock

3.2. The stock of FDI in Nepal increased by 16 percent during 2021/22 and stood at Rs.264.3 billion as of mid-July 2022 (Table 4). The paid-up capital, reserves, and loans increased 15.5 percent, 16.4 percent, and 16.6 percent respectively. The foreign liability of Nepal in terms of direct investment stands at Rs.264.3 billion as of mid-July 2022.

**Table 4: FDI Stock**

Rs. Million

S.N.	Components	As of Mid-July				Percent Change	
		2019	2020	2021	2022	2020/21	2021/22
1.	Paid-up Capital	88,158.3	108,072.3	122,885.5	141,962.5	13.7	15.5
2.	Reserves	78,381.9	67,071.9	71,982.1	83,786.1	7.3	16.4
3.	Loans <sup>8</sup>	16,379.4	23,376.6	33,079.3	38,581.0	41.5	16.6
	<b>Total FDI stock</b>	<b>182,919.6</b>	<b>198,520.8</b>	<b>227,946.9</b>	<b>264,329.5</b>	<b>14.8</b>	<b>16.0</b>

Source: NRB's Previous Survey Reports in FDI, and Field Survey, 2023

3.3. Paid-up capital is the major component in FDI stock accounting for 53.7 percent of total FDI stock (Table 5). The share of reserves and loans in total FDI stock stood at 31.7 percent and 14.6 percent respectively. In 2020/21, paid-up capital, reserves, and loans accounted for 53.9 percent, 31.6 percent, and 14.5 percent of total FDI stock respectively.

<sup>8</sup> Only direct loan from foreign direct investment and other capital (share application money, share premium) attributed to foreign direct investors are accounted.

**Table 5: FDI Stock by Components (Share in Total)**

S.N.	Components	As of Mid-July			
		2019	2020	2021	2022
1.	Paid-up Capital	48.2	54.4	53.9	53.7
2.	Reserves	42.8	33.8	31.6	31.7
3.	Loans	9.0	11.8	14.5	14.6
	<b>Total FDI stock</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: NRB's Previous Survey Reports in FDI, and Field Survey, 2023

## FDI Stock by Sectors

3.4. Electricity, gas, steam, and air conditioning sector has the highest FDI stock of Rs.86.8 billion (32.8 percent of the total) followed by the manufacturing sector (Rs.77.9 billion) and financial and insurance services sector (Rs.67.8 billion) (Table 6).

**Table 6: FDI Stock by Major Sectors<sup>9</sup>**

S.N.	Sectors	As of Mid-July				Percent change (%)	
		2020	2021	2022		2020/21	2021/22
				Amount	Share in Total (%)		
1.	Electricity, gas, steam and air conditioning	54,660.9	70,147.3	86,815.0	32.8	28.3	23.8
2.	Manufacturing	56,066.8	67,352.0	77,928.7	29.5	20.1	15.7
3.	Financial and Insurance Services	54,288.4	61,399.5	67,780.5	25.6	13.1	10.4
4.	Accommodation and food services	11,846.4	12,975.9	13,884.1	5.3	9.5	7.0
5.	Information and Communication	12,618.5	10,858.2	12,733.0	4.8	-14.0	17.3
6.	Education	1,877.0	1,926.4	2,074.7	0.8	2.6	7.7
7.	Human Health and Social Work	365.2	338.9	735.4	0.3	-7.2	117.0
8.	Construction	470.1	492.0	660.9	0.3	4.7	34.3
9.	Agriculture, Forestry and Fishing	220.5	240.9	267.9	0.1	9.2	11.2
10.	Mining and Quarrying	-1.2	-2.9	36.1	0.01	141.9	-
11.	Transport and Storage	-2,772.2	-6,515.9	-7,678.8	-2.9	135.0	17.8
12.	Other	8,880.4	8,734.7	9,092.1	3.4	-1.6	4.1
	<b>Total</b>	<b>198,520.8</b>	<b>227,946.9</b>	<b>264,329.5</b>	<b>100.0</b>	<b>14.8</b>	<b>16.0</b>

Source: Field Survey, 2023

<sup>9</sup> The classification of major sectors is based on International Standard Industrial Classification, Fourth Revision (ISIC Rev. 4).

3.5. FDI stock of transport and storage decreased as a result of the significant decline in the reserve position of the companies within the sector. The sector-wise composition of FDI stock in further detail is presented in *Appendix III*.

### FDI Stock by Countries

3.6. Country-wise, India remained in the top position with Rs.88.6 billion FDI followed by China (Rs.33.4 billion), Ireland (Rs.20.9 billion), Singapore (Rs.16.1 billion), and Saint Kitts and Nevis (Rs. 15.1 billion) (Table 7).

3.7. In terms of paid-up capital, India also ranked top position with Rs.53.4 billion followed by China (Rs.24.3 billion), South Korea (Rs.10.5 billion), and Ireland (Rs.9 billion) (Table 7). Further detail of country-wise FDI stock is presented in *Appendix IV*.

**Table 7: FDI Stock by Major Countries**

S. N.	Country	As of Mid-July 2022				Rs.Million
		Paid-up Capital	Reserves	Loan	FDI Stock	Share in Total FDI Stock (%)
1.	India	53,395.2	31,535.9	3,661.5	88,592.6	33.5
2.	China	24,341.2	-8,718.2	17,825.6	33,448.6	12.7
3.	Ireland	9,010.3	11,886.3	0.1	20,896.7	7.9
4.	Singapore	5,388.4	10,332.7	352.9	16,074.0	6.1
5.	Saint Kitts and Nevis	80.0	15,010.4	1.1	15,091.5	5.7
6.	Australia	8,912.9	4,238.9	4.0	13,155.9	5.0
7.	South Korea	10,529.1	-1,061.1	3,304.1	12,772.0	4.8
8.	United Arab Emirates	830.9	9,342.3	473.5	10,646.7	4.0
9.	United States of America	2,591.3	3,727.0	2,096.5	8,414.8	3.2
10.	Netherlands	3,098.9	3,189.6	45.6	6,334.0	2.4
11.	Others	23,784.2	4,302.3	10,816.0	38,902.6	14.7
	<b>Total</b>	<b>141,962.5</b>	<b>83,786.1</b>	<b>38,581.0</b>	<b>264,329.5</b>	<b>100.0</b>

Source: Field Survey, 2023

3.8. The majority of India's FDI stock (96.9 percent) is concentrated in three sectors – electricity, gas, steam, and air conditioning (42.9 percent), manufacturing (35.9 percent), and financial and insurance services (18.1 percent). In terms of paid-up capital, the investment in electricity, gas, steam, and air conditioning (primarily the hydropower sector) remains the highest (Table 8).



**Table 8: FDI Stock by Major Sectors (India)**

Component	Paid-up Capital	Reserves	Loan	FDI Stock	Rs.Million
					Share in India's FDI Stock(%)
Electricity, gas, steam, and air conditioning	35,584.2	706.6	1,671.4	37,962.1	42.9
Manufacturing	4,648.9	25,640.9	1,537.3	31,827.1	35.9
Financial and Insurance Services	8,860.3	7,101.0	47.8	16,009.0	18.1
Accommodation and food services	963.5	2,883.6	171.5	4,018.6	4.5
Others	3,338.3	-4,796.1	233.6	-1,224.2	-1.4
<b>Total</b>	<b>53,395.2</b>	<b>31,535.9</b>	<b>3,661.5</b>	<b>88,592.6</b>	<b>100.0</b>

Source: Field Survey, 2023

3.9. China's FDI stock is mostly concentrated in hydropower projects and the manufacturing sector (especially cement industries) (Table 9).

**Table 9: FDI Stock by Major Sectors (China)**

Component	Paid-up Capital	Reserves	Loan	FDI Stock	Rs.Million
					Share in China's FDI stock (%)
Electricity, gas, steam, and air conditioning	8,032.1	-2,149.5	17,495.1	23,377.7	69.9
Manufacturing	12,801.6	2,111.9	74.9	14,988.4	44.8
Information and communication	1,004.6	346.4	254.5	1,605.5	4.8
Accommodation and food services	947.2	-4.7	1.2	943.8	2.8
Others	1,555.7	-9,022.3	-	-7,466.7	-22.3
<b>Total</b>	<b>24,341.2</b>	<b>-8,718.2</b>	<b>17,825.6</b>	<b>33,448.6</b>	<b>100.0</b>

Source: Field Survey, 2023

### Province-wise FDI Stock<sup>10</sup>

3.10. Bagmati province constitutes the highest share of FDI stock (55.4 percent) whereas Karnali and Sudur Paschim Province account for less than 1.0 percent of total FDI stock (Table 10).

<sup>10</sup> Province-wise FDI are classified based on location of projects, production units and head offices.

**Table 10: Province-wise FDI Stock**

Province	FDI Stock	Rs.Million
		Share in Total (%)
Koshi	45,056.5	17.0
Madhesh	23,323.3	8.8
Bagmati <sup>11</sup>	146,428.1	55.4
Gandaki	44,437.9	16.8
Lumbini	2,711.0	1.0
Karnali	47.8	0.02
Sudur Paschim	2,325.0	0.9
<b>Total</b>	<b>264,329.5</b>	<b>100.0</b>

Source: Field Survey, 2023

## Foreign Loans

3.11. As of mid-July 2022, the outstanding foreign loans (excluding direct loans from foreign direct investors) of FDI companies stood at Rs.68.7 billion. Such loans were Rs. 40.7 billion a year ago (Table 11). The companies in the hydropower sector have utilized more foreign loans as the outstanding loan of this sector stood at Rs.28.4 billion in mid-July 2022.

**Table 11: Outstanding Foreign Loan of FDI Companies**

Sectors	Rs. Million		
	2020	2021	2022
Electricity, gas, steam, and air conditioning	20,921.3	20,427.3	28,428.4
Financial and Insurance Services	3,497.5	7,508.5	22,034.4
Manufacturing	4,891.2	10,265.8	16,077.8
Transport and Storage	-	1,866.4	1,998.5
Accommodation and food services	-	139.4	140.2
Information and Communication	-	530.6	2.9
Other	242.1	-	-
<b>Total</b>	<b>29,552.0</b>	<b>40,737.9</b>	<b>68,682.3</b>

Source: Field Survey, 2023

## Capacity Utilization

3.12. The survey also captures the capacity utilization of manufacturing companies with FDI. The capacity utilization stood at 71.1 percent on average<sup>12</sup> during 2021/22 which was 64.9 percent a year ago.

<sup>11</sup> Companies with foreign direct investment under service sector along with BFIs having corporate and head offices in Bagmati province are included in Bagmati Province.

## Sales from Operation and Profitability

3.13. The survey also includes data on sales from the operation of FDI companies. The total sales of surveyed companies during 2021/22 stood at Rs.445.4 billion which was Rs.381.5 billion a year ago. Similarly, the average<sup>13</sup>return on equity (ROE) of surveyed FDI companies stood at about 14.3percent for 2021/22, which was around 14.7percent a year ago.

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<sup>12</sup> Weighted average is taken as reference where weights are based on sales of individual companies compared to the total sales of surveyed companies.

<sup>13</sup> Weighted average is taken as reference where weights are based on equity of individual companies compared to the total equity of surveyed companies.

## Chapter IV: International Investment Position of Nepal

- 4.1. IIP is the statement that shows the value and composition of financial assets of residents at a point in time which are claims on nonresidents and liabilities of residents of an economy to non-residents.
- 4.2. As of mid-July 2022, the foreign assets decreased 10.2 percent to Rs.1,330.7 billion against an increase of 0.9 percent in the previous year. The foreign liabilities increased 14.3 percent to Rs.1,602 billion compared to an increase of 15.4 percent in the previous year (Table 12). Consequently, net IIP remained negative of Rs.271.3 billion in 2021/22 in contrast to positive of Rs.80.1 billion in the previous year.

**Table 12: Foreign Assets and Liabilities of Nepal**

Description	As of Mid-July			Percent Change	
	2020	2021	2022 <sup>14</sup>	2020/21	2021/22
Assets	1,467,785.6	1,481,123.9	1,330,654.4	0.9	-10.2
Liabilities	1,214,285.6	1,401,003.4	1,601,991.7	15.4	14.3
o/w Direct Investment	198,520.8	227,946.9	264,329.5	14.8	16.0
Net International Investment Position (IIP)	<b>253,499.9</b>	<b>80,120.5</b>	<b>-271,337.2</b>	<b>-68.4</b>	-

Source: NRB (2023)

- 4.3. The foreign assets are comprised of direct investment, portfolio investment, official reserve assets, and other investments, which include other equity, currency and deposits, loans, trade credit and advances, and other account receivables. Official reserve assets constitute the highest share of foreign assets (86 percent) followed by currency and deposits (6.5 percent) and other account receivables (5.4 percent) (Appendix VI).
- 4.4. As of mid-July 2022, the official reserve assets decreased 11.9 percent to Rs.1,144.7 billion against an increase of 1.9 percent in the previous year. Currency and deposits under foreign assets increased 14.2 percent while other account receivables decreased 6.7 percent in the review year (Appendix VI).

<sup>14</sup> Revised

- 4.5. The foreign liabilities cover direct investment, portfolio investment, and other investments, which include other equity, currency and deposits, loans, trade credit and advances, other account payables, and special drawing rights. Loans constitute the highest share of foreign liabilities (70.2 percent) followed by direct investment (16.5 percent) and trade credit and advances (7.4 percent) (Appendix VI).
- 4.6. As of mid-July 2022, foreign loan liabilities increased 13.7 percent to Rs.1,124.3 billion compared to an increase of 16 percent in the previous year. Direct investment and trade credit and advances under foreign liabilities increased 16 percent and 1.4 percent respectively in the review year (Appendix VI).

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### Appendix I: FDI Inflows in South Asia

(US\$ Billion)

Year	2017	2018	2019	2020	2021	2022	% Change (2022)
<b>South Asia</b>	46.6	49.9	57.6	69.7	51.3	55.9	9.0
Afghanistan	0.1	0.1	0.02	0.01	0.02	0.0	-100.0
Bangladesh	2.2	3.6	2.9	2.6	2.9	3.5	20.2
Bhutan	-0.01	0.01	0.003	0.001	0.001	0.01	-
India	39.9	42.2	50.6	64.1	44.8	49.4	10.3
Maldives	0.5	0.6	1.0	0.4	0.6	0.7	12.3
Nepal	0.2	0.1	0.2	0.1	0.2	0.1	-66.8
Pakistan	2.5	1.7	2.2	2.1	2.1	1.3	-37.6
Sri Lanka	1.4	1.6	0.7	0.4	0.6	0.9	51.7

Source: UNCTAD (2023)

## Appendix II: Foreign Investment Approval and Realization in Nepal

Rs. Million)

Fiscal Year	Approved FDI*	Actual Net FDI**	Actual Net FDI as a percentage of Approved FDI
1995/96	2,219.9	388.0	17.5
1996/97	2,395.5	1,621.0	67.7
1997/98	2,000.3	685.0	34.2
1998/99	1,666.4	578.0	34.7
1999/00	1,417.6	233.0	16.4
2000/01	3,002.6	-33.0	-1.1
2001/02	1,209.7	-282.3	-23.3
2002/03	1,793.8	961.4	53.6
2003/04	2,764.8	-	-
2004/05	1,635.8	136.0	8.3
2005/06	2,606.3	-469.7	-18.0
2006/07	3,186.0	362.3	11.4
2007/08	9,812.6	293.9	3.0
2008/09	6,255.1	1,829.2	29.2
2009/10	9,100.0	2,852.0	31.3
2010/11	10,053.2	6,437.1	64.0
2011/12	7,138.3	9,195.4	128.8
2012/13	19,818.7	9,081.9	45.8
2013/14	20,132.4	3,194.6	15.9
2014/15	67,455.0	4,382.6	6.5
2015/16	15,254.3	5,920.9	38.8
2016/17	15,206.5	13,503.9	88.8
2017/18	55,760.5	17,504.6	31.4
2018/19	25,484.4	13,065.2	51.3
2019/20	37,805.8	19,478.7	51.1
2020/21	32,172.8	19,512.7	60.6
2021/22	54,158.94	18,560.31	34.3
<b>Total</b>	<b>411,507.29</b>	<b>148,992.72</b>	<b>36.2</b>

Source: \*MOICS (2022)

\*\*NRB (2022)



### Appendix III: Sector-wise Stock of FDI

(Rs. Million)

Sectors	Mid-July 2021					Mid-July 2022				
	Paid-up	Reserves	Loan	Total	Share in Total FDI (%)	Paid-up	Reserves	Loan	Total	Share in Total FDI (%)
<b>1. Agriculture</b>	<b>243.2</b>	<b>-2.3</b>	<b>-</b>	<b>240.9</b>	<b>0.1</b>	<b>289.5</b>	<b>-21.6</b>	<b>-</b>	<b>267.9</b>	<b>0.1</b>
<i>Agriculture, Forestry and Fishing</i>	243.2	-2.3	-	240.9	0.1	289.5	-21.6	-	267.9	0.1
<b>2. Industry</b>	<b>71,306.1</b>	<b>43,489.2</b>	<b>23,193.1</b>	<b>137,988.4</b>	<b>60.5</b>	<b>83,292.0</b>	<b>51,776.9</b>	<b>30,371.8</b>	<b>165,440.6</b>	<b>62.6</b>
<i>Construction</i>	605.5	-113.5	-	492.0	0.2	701.0	-143.9	103.8	660.9	0.3
<i>Electricity, gas, steam and air conditioning</i>	49,167.9	752.8	20,226.6	70,147.3	30.8	59,391.3	-123.0	27,546.7	86,815.0	32.8
<i>Manufacturing</i>	21,512.7	42,872.8	2,966.5	67,352.0	29.5	23,129.7	52,077.8	2,721.2	77,928.7	29.5
<i>Mining and Quarrying</i>	20.0	-22.9	-	-2.9	-0.001	70.0	-33.9	-	36.1	0.01
<b>3. Services</b>	<b>51,336.2</b>	<b>28,495.2</b>	<b>9,886.2</b>	<b>89,717.6</b>	<b>39.4</b>	<b>58,381.0</b>	<b>32,030.8</b>	<b>8,209.2</b>	<b>98,621.0</b>	<b>37.3</b>
<i>Accommodation and food services</i>	7,436.4	1,817.4	3,722.1	12,975.9	5.7	10,633.0	1,720.2	1,530.8	13,884.1	5.3
<i>Education</i>	937.3	415.5	573.6	1,926.4	0.8	1,064.8	416.7	593.2	2,074.7	0.8
<i>Financial and Insurance Services</i>	30,445.2	30,160.4	794.0	61,399.5	26.9	32,915.5	33,598.8	1,266.2	67,780.5	25.6
<i>Human Health and Social Work</i>	385.0	-62.4	16.2	338.9	0.1	679.4	-125.4	181.4	735.4	0.3
<i>Information and Communication</i>	3,642.4	2,792.3	4,423.5	10,858.2	4.8	4,097.7	4,329.3	4,306.1	12,733.0	4.8
<i>Transport and Storage</i>	783.6	-7,299.6	-	-6,515.9	-2.9	873.1	-8,551.8	-	-7,678.8	-2.9
<i>Other service</i>	7,706.3	671.6	356.8	8,734.7	3.8	8,117.6	642.9	331.5	9,092.1	3.4
<b>Total</b>	<b>122,885.5</b>	<b>71,982.1</b>	<b>33,079.3</b>	<b>227,946.9</b>	<b>100.0</b>	<b>141,962.5</b>	<b>83,786.1</b>	<b>38,581.0</b>	<b>264,329.5</b>	<b>100.0</b>

Source: Field Survey, 2023

**Appendix IV:Country-wise FDI Stock in Nepal  
As of mid-July 2022**

(Rs. Million)

S.N.	Countries	Paid Up	Reserves	Loans	Total	Share in Total (%)
1	India	53,395.2	31,535.9	3,661.5	88,592.6	33.5
2	China	24,341.2	-8,718.2	17,825.6	33,448.6	12.7
3	Ireland	9,010.3	11,886.3	0.1	20,896.7	7.9
4	Singapore	5,388.4	10,332.7	352.9	16,074.0	6.1
5	Saint Kitts and Nevis	80.0	15,010.4	1.1	15,091.5	5.7
6	Australia	8,912.9	4,238.9	4.0	13,155.9	5.0
7	South Korea	10,529.1	-1,061.1	3,304.1	12,772.0	4.8
8	United Arab Emirates	830.9	9,342.3	473.5	10,646.7	4.0
9	United States of America	2,591.3	3,727.0	2,096.5	8,414.8	3.2
10	Netherlands	3,098.9	3,189.6	45.6	6,334.0	2.4
11	Hong Kong-China	2,385.3	-6.2	2,979.2	5,358.3	2.0
12	United Kingdom	2,811.8	2,306.2	171.5	5,289.4	2.0
13	Pakistan	2,601.2	1,808.3	-	4,409.5	1.7
14	Bangladesh	1,812.0	2,380.4	0.02	4,192.4	1.6
15	British Virgin Island	4,195.8	-187.9	184.4	4,192.4	1.6
16	Norway	1,603.0	2,412.5	34.2	4,049.7	1.5
17	Mauritius	1,899.1	52.4	1,893.8	3,845.2	1.5
18	Bermuda	300.3	2,478.3	-	2,778.7	1.1
19	Japan	2,190.1	-685.2	1,161.3	2,666.2	1.0
20	Sri Lanka	1,218.2	13.5	-	1,231.7	0.5
21	Malaysia	810.1	369.0	-	1,179.1	0.4
22	Brunei	94.3	-	461.7	556.0	0.2
23	Taiwan	132.6	-	387.2	519.9	0.2
24	Switzerland	294.6	-10.9	119.7	403.4	0.2
25	Cayman Islands	97.0	233.1	-	330.1	0.1
26	Denmark	143.3	142.0	-	285.2	0.1
27	Italy	139.1	60.0	-	199.1	0.1
28	Canada	212.3	-49.5	-	162.8	0.1
29	Sweden	104.7	-0.4	4.4	108.7	0.04
30	Russia	129.8	-41.8	18.7	106.7	0.04
31	Germany	84.1	-12.2	4.0	75.9	0.03
32	France	62.2	0.3	0.1	62.6	0.02
33	Turkey	44.9	7.0	7.6	59.4	0.02
34	Bahrain	53.2	-8.2	2.5	47.4	0.02
35	Belgium	51.4	-9.6	-	41.9	0.02
36	Bhutan	7.1	32.2	-	39.3	0.01
37	New Zealand	33.5	1.7	-	35.1	0.01
38	Tajikistan	14.9	-	-	14.9	0.01
39	Samoa	145.0	-134.1	-	10.9	0.004
40	Cyprus	14.2	-4.0	-	10.3	0.004
41	South Sudan	10.2	-0.2	-	10.0	0.004
42	Malta	8.7	-	-	8.7	0.003
43	Hongkong	7.5	-	-	7.5	0.003
44	Cook Islands	6.3	-0.4	-	5.9	0.002
45	Azerbaijan	5.2	-	-	5.2	0.002
46	Finland	5.0	-	-	5.0	0.002
47	Israel	3.7	-	-	3.7	0.001
48	Kazakhstan	3.7	-	-	3.7	0.001
49	Philippines	3.7	-	-	3.7	0.001
50	Poland	2.5	-	-	2.5	0.001
51	Austria	2.3	-	-	2.3	0.001
52	Belarus	2.3	-	-	2.3	0.001
53	Belize	1.7	-	-	1.7	0.001
54	Chile	1.6	-	-	1.6	0.001

55	Spain	7.7	-6.1	-	1.6	0.001
56	Brazil	1.6	-0.9	-	0.7	0.0003
57	Seychelles	25.6	-6,836.6	3,385.7	-3,425.3	-1.3
	<b>Total</b>	<b>141,962.5</b>	<b>83,786.1</b>	<b>38,581.0</b>	<b>264,329.5</b>	<b>100.0</b>

Source: Field Survey, 2023

\*FDI from IFC has also been included into United States of America

**Appendix V:Country-wise and Sector-wise Composition of FDI Stock  
As of mid-July 2022**

						Rs. Million
S.N	Countries	Agriculture	Industry	Services	Total	Share in Total (%)
1	India	22.0	69,978.4	18,592.3	88,592.6	33.5
2	China	-	38,618.9	-5,170.2	33,448.6	12.7
3	Ireland	-	-	20,896.7	20,896.7	7.9
4	Singapore	-	15,054.3	1,019.7	16,074.0	6.1
5	Saint Kitts and Nevis	-	-	15,091.5	15,091.5	5.7
6	Australia	-2.0	662.8	12,495.0	13,155.9	5.0
7	South Korea	51.9	12,214.7	505.4	12,772.0	4.8
8	United Arab Emirates	-	10,628.9	17.8	10,646.7	4.0
9	United States of America	48.8	1,308.6	7,057.5	8,414.8	3.2
10	Netherlands	101.6	166.6	6,065.8	6,334.0	2.4
11	Hong Kong-China	-	4,114.4	1,243.8	5,358.3	2.0
12	United Kingdom	7.6	391.8	4,889.9	5,289.4	2.0
13	Pakistan	-	7.4	4,402.0	4,409.5	1.7
14	Bangladesh	-	-	4,192.4	4,192.4	1.6
15	British Virgin Island	-	-	4,192.4	4,192.4	1.6
16	Norway	5.0	4,037.5	7.2	4,049.7	1.5
17	Mauritius	-	2,728.4	1,116.8	3,845.2	1.5
18	Bermuda	-	2,778.7	-	2,778.7	1.1
19	Japan	24.9	666.6	1,974.6	2,666.2	1.0
20	Sri Lanka	-	709.2	522.5	1,231.7	0.5
21	Others	8.2	1,373.4	-492.3	889.3	0.3
	<b>Total</b>	<b>267.9</b>	<b>165,440.6</b>	<b>98,621.0</b>	<b>264,329.5</b>	<b>100.0</b>

Source: Field Survey, 2023

**Appendix VI: International Investment Position (IIP)\* of Nepal**  
As of mid-July

(Rs.Million)

Description	2020	2021 <sup>R</sup>	2022 <sup>R</sup>	Share in Total (%)	Percent Change	
					2020/21	2021/22
<b>Assets</b>	<b>1,467,785.6</b>	<b>1,481,123.9</b>	<b>1,330,654.4</b>	<b>100.0</b>	<b>0.9</b>	<b>-10.2</b>
Direct Investment	-	-	-	-	-	-
Portfolio Investment	-	-	-	-	-	-
Other Investments	193,571.9	182,220.7	185,975.1	14.0	-5.9	2.1
<i>Other Equity</i>	11,529.9	13,193.7	12,809.3	1.0	14.4	-2.9
<i>Currency and Deposits</i>	87,628.2	75,391.7	86,132.1	6.5	-14.0	14.2
<i>Loans</i>	869.0	861.7	1,024.4	0.1	-0.8	18.9
<i>Trade credit and advances</i>	6,083.4	15,881.7	14,255.6	1.1	161.1	-10.2
<i>Other Account Receivables</i>	87,461.5	76,891.8	71,753.8	5.4	-12.1	-6.7
Official Reserve Assets	1,274,213.7	1,298,903.2	1,144,679.3	86.0	1.9	-11.9
<b>Liabilities</b>	<b>1,214,285.6</b>	<b>1,401,003.4</b>	<b>1,601,991.7</b>	<b>100.0</b>	<b>15.4</b>	<b>14.3</b>
Direct Investment**	198,520.8	227,946.9	264,329.5	16.5	14.8	16.0
Portfolio Investment	-	-	-	-	-	-
Other Investments	1,015,764.9	1,173,056.5	1,337,662.1	83.5	15.5	14.0
<i>Other Equity</i>	-	-	-	-	-	-
<i>Currency and Deposits</i>	69,764.7	55,851.2	58,217.3	3.6	-19.9	4.2
<i>Loans</i>	852,518.2	988,754.0	1,124,347.6	70.2	16.0	13.7
<i>Trade credit and advances</i>	82,238.3	116,853.4	118,482.6	7.4	42.1	1.4
<i>Other Account Payables</i>	44.6	35.3	53.6	0.0	-20.9	51.7
<i>Special Drawing Rights</i>	11,199.0	11,562.6	36,561.0	2.3	3.2	216.2
<b>Net IIP</b>	<b>253,499.9</b>	<b>80,120.5</b>	<b>-271,337.2</b>		<b>-68.4</b>	<b>-</b>

Source: NRB (2023)

\* Based on residents and non-residents

\*\*Direct Investment based on survey.

<sup>R</sup>: Revised