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Faculty of Economics and Management

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Bachelor Thesis

The Effect of Privatization on Nepalese Economy

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BACHELOR THESIS ASSIGNMENT

Giri Prasad Kandel

Economics and Management

Thesis title

The effect of privatization on Nepalese economy

Objectives of thesis

The main objectives of my thesis are as follows:-

1. Is to do analysis of the effect of privatization on the Nepalese economy.
2. This research is to identify the existing problems and challenges faced by private sector enterprise.
3. To examine the performance of private sector Market and their position on Nepalese economy.

Methodology

Literature review is conducted using methods of text analysis. Practical parts makes use of private sector data analysis. Also, small survey, methods of time series data analysis, regression analysis are utilized.

The proposed extent of the thesis

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Keywords

privatization, Nepal, economy, economic growth, regression

Recommended information sources

Balassa, B. 1987, 'Public Enterprise in Developing Countries: Issue of Privatization', Working Paper , Development & Research Department, Washington D.C.:The World Bank
Manzetti, L. 1999, Privatization: South American Style , Oxford: OxfordUniversity Press, pp. 12-29
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Declaration

I declare that I have worked on my bachelor thesis titled "The Effect of Privatization on Nepalese Economy" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not disrupt copyrights of any third person.

In Prague on 14th March 2017

.....

Giri Prasad kandel

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Efekt privatizace na ekonomiku Nepálu

The Effect of Privatization on Nepalese Economy

Abstrakt

Tato práce se zabývá efektem privatizace na ekonomiku Nepálu. Zkoumá ekonomiku od roku 1989 do roku 2015 a zaměřuje se hlavně na rozmezí let 1989-2004, které je považováno za éru privatizace. Hlavním cílem této studie bylo dokázat, že privatizace pomohla posílit profit podniku a HDP země a popisuje obtížnosti procesu privatizace. V tomto výzkumu bylo provedeno několik testů, které vyhodnotily účinek vybraných makroekonomických veličin na ekonomiku. Nepálské podniky dnes čelí obviněním z podvodů, korupce a špatnému zacházení z veřejnými zdroji. Toto se děje kvůli sociálním problémům jako ekonomické rozdíly a nezaměstnanost, která působí na ekonomiku Nepálu. Tato práce došla k výsledku, že efekt privatizace na nepálskou ekonomiku může být pouze pozitivní, může přinést vylepšení a pro částečně či zcela privatizované podniky mohla privatizace přinést pokrok.

Klíčová slova: privatizace, Nepál, ekonomika, finanční sektor, HDP, ekonomický vzrůst, regrese, profit

Abstract

This paper deals with the effect of privatization on the Nepalese Economy. It examines since 1989 to 2015 and focuses in 1989 to 2004 because that time was the era of Privatization. The core objective of the study was to prove that, privatization assistances to intensification the company profit and country GDP and to identify the difficulties that have been happened in the process of privatization. This research applied few tests to examine the impact of selected macroeconomic variables on the Economy. The Nepalese enterprises today, faces a lot of encounters in the threats of fraud, corruption, and mismanagement of public resources. It is because of social problems like economic distinctions, unemployment that made the national to effect in an economy of Nepal. This study concluded by saying that the effect of privatization on the Nepalese economy can only take effective improvement and progress after the enterprises are wholly or partially privatized.

Keywords:

Privatization, Nepal, Economy, Financial Sector, GDP, Impact, Economic Growth, Regression, Profit

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List of Abbreviations

USAID: United States Agency for International Development

GDP: Gross Domestic Product

NPR: Nepalese Rupee

NRs: Nepali Rupees

NBL: Nepal Bank Limited

NOC: Nepal Oil Corporation

BPM: Bhrikuti Paper Mills

ESPS: Environment Sector Program Support

NFI: Nepal Foundry Industry

UNDP: The United Nations Development Programme

GON: Government of Nepal

MOF: Ministry of Finance

NEPSE: Nepalese Stock Exchange

OLS: Ordinary Least Square

NRB: Nepal Rastra Bank

BFI: Banks and Financial Institutes

USD: United State Dollar

Et al: and others

NPR=Nepalese Rupees, 1NPR=\$109.40, (2017/03)

NPR= Nepalese Rupees, 1NPR=Euro116.42 (2017/03)

1 Introduction

1.1 Background of the study

Nepal is a landlocked country located between India and China, at the feet of the Himalaya. Economic growth in Nepal remains low. Low levels of productivity have meaningful structural economic transformation. Many Nepalese exit the national labour market to find employment abroad. After the end of the civil conflict in 2006, the country has growing up on several reforms and investments that have slowly improved the competitiveness of the country. In the last decade, the Nepalese economy achieved considerable results in terms of education improvements, corruption and poverty reduction. High level of economic growth will be required for Nepal, not just growing up by small amount of revenue. The Gross Domestic Product (GDP) in Nepal stretched 0.77 in 2015 from the previous year (\$20.88 billion 2015). GDP Annual Growing Rate in Nepal average 4.10 % from 1993 until 2015, getting an all-time high of 8.60 % in 1993 and a record of 0.16 percent in 2001. GDP Annual Growing Rate in Nepal is informed by the Central Bureau of Statistics Nepal (Trading Economics 2016).

Global production recorded a modest growth in last year. Economic Growth rates of developing economies have declined improvement observed in economic activities of the developed economies. Nepalese Economy also saw below average growth in FY 2014/15. Less than satisfactory performance of industry, agriculture and services sectors are attributes for such a modern economic growth rate.

Public Enterprises, with the entry of private sector organizations, should have made themselves knowledgeable by attractive their skills. Private sector continued to raise while Public Enterprises started to fail. Private enterprises are forwarding rapidly ahead in the services, but PEs has no strategies to strive or fight back with them.

Privatization, a method of reallocating assets and functions from the public sector to the private sector, appears to be a factor that could play a vital role in the quest for growth. In recent history, Privatization has been adopted by many different political systems and cultural system and has spread to every region of the world. Privatization process can be an effective way to

bring out fundamental structural change by validating and creating property rights, which directly generate strong individual motivations. A free market economy largely depends on well-defined property rights in which people make individual decision in their own capacity and their own interests.

Modern market economics generate growth because widespread, formal property rights permit massive, low cost exchange, thus forecasting specialization and greater productivity (Hernando 1996). Creating new and strong encourage or motivations that induce Productivity, and Privatization may improve efficacy, provide fiscal relief, inspire wider ownership, and increase the handiness of privatization on the rate of economic instability or economic growth, stimulated by the idea of people answering to incentives.

2 Objectives and Methodology

The main objectives of my study are to find the effect of privatization on the Nepalese economy. Particularly we intend to compare the pre-and post-Privatization era, so as to determine the specific effect. Other objectives to find the development era of privatization of Nepalese company are Stable or not.

2.1 Significance of the study

The research work to help the government and readers to understand those benefits that privatization program embodies which we have significantly affected.

Other hand, it will go long way to create an avenue for more academic research. The reputation of any study is to finding out solutions that faces manhood and the environment or society. The study creates awareness to every economic planner on the implication of these privatization of public enterprise in Nepal economic development.

2.2 Methodology

Evaluate the effect of Privatization on Nepalese economy and find out how is globalized. The main methodology is to literature review analysis from the before and after privatization research and then after regression analysis for the different research. Data are taken from the governmental webpages from 1999 to 2015. After the data finding I will do the empirical research and then after I will try to proof that in our Nepalese company there is privatization or not and how is privatization effective.

2.2.1 Regression analysis

Regression analysis is a statistical process for the estimating or investigating of relationship between variables. It includes several techniques for analysing many variables, when the main focus on the relationship between a dependent variable and one or more different independent variables or predictors. To make a discussion concrete, I will be used a series of illustrations connecting a hypothetical analysis.

The two basic types of regression are linear and multiple regression. Linear regression uses only one independent variable while multiple uses two or more than two independent

variables to explain or predict the outcome of ‘Y’. The general form of each types of regression equation is shown below:

Linear regression: $Y = a + bx + e$

Multiple regression: $Y = a + b_1x_1 + b_2x_2 + b_3x_3 + \dots + b_nx_n + e,$

$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + \dots + b_nx_n + e$

Where, Y=the variable that we are trying to predict

X=the variable that we are using to predict Y

a=the intercept

b= the slope

e=the regression residual, $N(0, \sigma^2)$

Some techniques to analysing and modelling the variables are as follows:

2.2.2 Ordinary least square method (OLSM):

Carl Friendrich Gauss founded the method of ordinary least square method (OLSM) in 1795. According to Hutcheson (2011), the OLSM procedure is the simplest type of estimation procedure used to analysed data and forms the fundamental of many others technique such as Analysis of variance(ANOVA) and general linear model. OLSM is the most powerful and accurate methods of regression analysis. Is a method for estimating the unknown parameters in a linear regression model, with goal of minimizing the difference between the observed responsible value in some arbitrary dataset and the responsible predicted by the linear approximation of the data.

2.2.3 Statistical verification:

If we are satisfied of estimation of the model (regression model), it as well necessary to evaluate the model efficiency and quality. We always interested in an economic variable, what really affects to the Acknowledgements that’s why we can get good result.

Two basic characteristics should be used to calculate the result.

2.2.4 R² (Goodness of fit):

It has its own variation. After estimation of a regression model, we can ask ourselves how we have successful with our model. And what part of variance was explained by what part of explanatory variables used in the model. All that confusion is fixed by goodness of fit. Goodness of fit can be measured by coefficient of determination. Goodness of fit also represented by R-squared. The coefficient of determination is a statistical measure of how close the data are to the fitted regression function. Coefficient of determination also compares the amount of variation that is explained in comparison with the total variance, and thus gives us a relative measure of goodness of fit. It generally measures in percentage of the total sample variation in the dependent variable which is due to sample variations in all others independent variables of the whole model.

2.2.5 Normality Test:

The function of normality test is to examine the normal distribution of disturbance in the model. Disturbance, also named error term is the random variable that represents the factors that also affect the economy of country and the market index but is not taken into the account. Test will have computed based on the skewness and kurtosis measure of the OLS residual (Jarque & Bera, 1987)

3 Literature Review

This theory focuses on the relevant literature review regarding the privatization and impact of it. Emphasis has been given to review the previous articles, books, online materials, journals relevant to privatization. Current position of Nepalese economy and performance of private and public company will be defined well. Chiefly the private company like some banks, agriculture, travel and tours, telecommunications which are running, successfully in a competitive environment.

Privatization is selling off public services; a government can be rid of a drain on its resources. In broad term, we can say, it means the shifting of some responsibility for a government to private sector. In popular usage, 'privatization' refers the transfer of government assets or ownership or property and activities to the private sector. The term 'privatization' has been used to describe a range of actions designed to broaden as possible the scope of private sector activity. Essentially, privatization is a process that covers the transfer from the public to the private or somewhere we can say personal sector of the ownership to control of productive assets.

In Nepal, Act, 1994, "Privatization means involving private sector in the management, or to sell or lease it, or to transfer government ownership into public ownership, or an act to fill contribution by any means, either absolutely or moderately, of private sector or of the workforces or workers, or of all concerned groups".

Privatisation range from replacing public property with private property to the introduction of private management techniques into the public sector still they are much more responsible for what they served before. This allows to the private sector to take care over, re-energize those assets and turn them into more profitable ventures that will provide new and better quality jobs to larger number of people who will in turn funding all the required tax that will account for the loss of those properties. Now days the term is mostly applied for long term occupancy. The main reason who decides to privatize usually involves money and of course fast and better services (John Bennett 2004).

3.1.1 History of privatization:

The reputation of foundation private enterprises or establishment began during the 19th century with the British telecom in 1884 below the telecommunication act and extended a wide-reaching support in Britain afterwards (British co-operative movement). Numerous nations mainly those in Asia, have come to hold the principle as a way of eliminating low performance and inefficiency in the public enterprise sector.

For a long time, the straight knowledge on the history of privatization has been that the first privatization strategies were applied in the mid-1970 in Chile and in the early 1980s in the United Kingdom (Bortolotti et al, 2008). However, some scholars recognize the limited sale of public-sector enterprises in Germany under Adenauer's government (1959-1965) as the first privatization program (Megginson, 2005). Others go back further, newly available works document and analyse the Nazis' large-scale privatization policy, effected by Hitler's government in pre-war in Germany between 1934 and 1937 (Bel 2006, 2010). Recently studies (Bel,2009) have also discovered additional central point of privatization strategy of the half of the twentieth century, suitable in Puerto Rico in 1948-1950, under the island's first ever democratically-elected government. Remarkably, the question of Privatization was frequently discussed in the early 1920s. In 1923, in France the privatization of the public dominations on matches and tobacco was disputed as a means of refining the problem of the public debt created by World War I, through the instruction created by the French government to study the matter eventually decided against privatization. The most important public debates on privatization in the early 1920s were flashed by the proposals to private railways in Switzerland, Germany, Belgium and Italy.

By the early 1990s, the Nepalese government had a broad portfolio of state-owned enterprises. There is fully owned 63 enterprises, held a governing interest in further 15, and had a minority shareholding in an additional 17 enterprises. Most these enterprises performed poorly and failed to earn profits. A top Privatization Commission led by the Minister of Finance was established, and in this initial phase of Privatization, three enterprises were sold. All three enterprises were privatised by way of assets sales and without the benefit of a precise privatization law. Assistance for the program was provided by the UNDP under association of

the World Bank. The second phase of privatization was passed out utilizing the supplies of the Privatizations Bill, which was engaged during the second phase but not fully conceded by parliament. During this phase, a further seven enterprises were privatized. Five of the enterprises were privatized through share sales, and two were liquidated. The third phase of the privatization program came to an effective halt during the nine-month rule of United Marxist–Leninist Party. USAID's long term technical support to the program was terminated at this period. Through the formation of new association government in November 1995, the privatization program was revived but has been hampered by the lack of a Ministry of Finance, who chairs the Privatization Committee, and limited support.

USAID is the one lead donor promoting privatization in Nepal. When the communist government came to power in early 1995 and progress on privatization slowed, USAID suspended the majority of their support to the privatization program. The new centre-right combination government, which came to power at the end of 1995, has made commitment to privatization and has requested USAID's assistance with this effort.

Nowadays Nepal has a lot of public enterprises at federal and state level which can be categorized as follows; -

3.2 Types of Public Enterprises:

Public enterprises are operated in various forms. Earlier Department organizations were preferred but as the privatization policy emerged during the 1980s and *laissez-faire* policy got fame, debate remains in top to find which form is suitable. Public Enterprises are classified in varying ways depending upon financial, social and political condition of the state. Public Enterprises are characterized on several bases. Functionally, public enterprises are considered as:

1. Public Enterprises of Industrial types
2. Public Enterprises for Services
3. Public Enterprises
4. Public Enterprises for public services

But more determinedly, public Enterprises are categorized based on structure. Structurally, types of public Enterprises are as follows: -

1. Department of Organization
2. Public or Statutory Corporations
3. Government Company
4. Others form (Co-operatives, operating contract etc.)

The world no doubt is moving towards capitalism and Liberalization and any nation that is not moving this direction is seen as either not developing or even retrogressing. A capitalist economy is a free market economy which allows most economic decisions to be guided but the twin forces of demand and supply. Since capitalism discourage monopoly but encourage competitive market, it therefore enhances efficiency and high productivity which is very vital in any developing economy.

3.3 Statements of the problems

In developing country like Nepal, Privatization of public enterprise is considered by many as a vital tool for the growth and development of the economy. In Nepal, some of problems facing privatization program include;

- a) Lack of accountability
- b) Lack of transparency
- c) Corruption
- d) Inconsistency
- e) Stagnation of agriculture
- f) Economic Dependency
- g) Unstable politics and government etc.

It is important to note that the major function that informed the establishment of these public enterprise are to control the properties and increase reserves for the establishment of

certain infrastructural services and facilities particularly in services requiring heavy financial investment e.g. electricity telecommunication railway, hydropower etc, also to perform the function of generating revenue that will add to financial development program and projects as genuine tool for the creation of occupations; and finally enable economic growth and progress. In trying to consider these discrepancies and proffer a way forward towards a state of privatization of public enterprises in Nepal, that enhances economic growth and development, this research work emanated.

3.4 The current privatization process

The current privatization package in Nepal is directed under the privatization act, 1994. This law offers for a Privatization Commission to recommend agendas and priorities for privatization to Nepal Government. The Act allows for a range of methods for the privatization of enterprises, as well for their liquidation. The privatizations Act currently are being prepared by the privatization cell with the assistance of the USAID-funded IRIS (Institutional Reform and the informal sector) Project.

The privatization Act is a relatively short and straight forward act, providing a considerable degree of latitude for most of the commercial decisions that must be made as part of the privatization process. The fact that the Privatization Act explicitly recognizes the need for liquidating some enterprises, lying off employees, and dealing with outstanding debts has provided beneficial. Flexibility and willingness to take what may be politically unpopular commercial decisions is necessary if a privatization program is to make real progress.

3.5 Domestic credit to private sector (% of GDP)

Asserting to statistics from the world Bank, an economic measure of so called domestic credit to private sector (% to GDP) means that economic possessions like finances and non-equity securities are provided to the private sector by financial organisations like banks and other financial corporations all measured as percentages with respect to GDP (The world Bank 2016).

According to The World Bank, private investment covers gross outlays by the private sector on addition to its fixed domestic assets of Nepal, which is shown in right below as a graph.

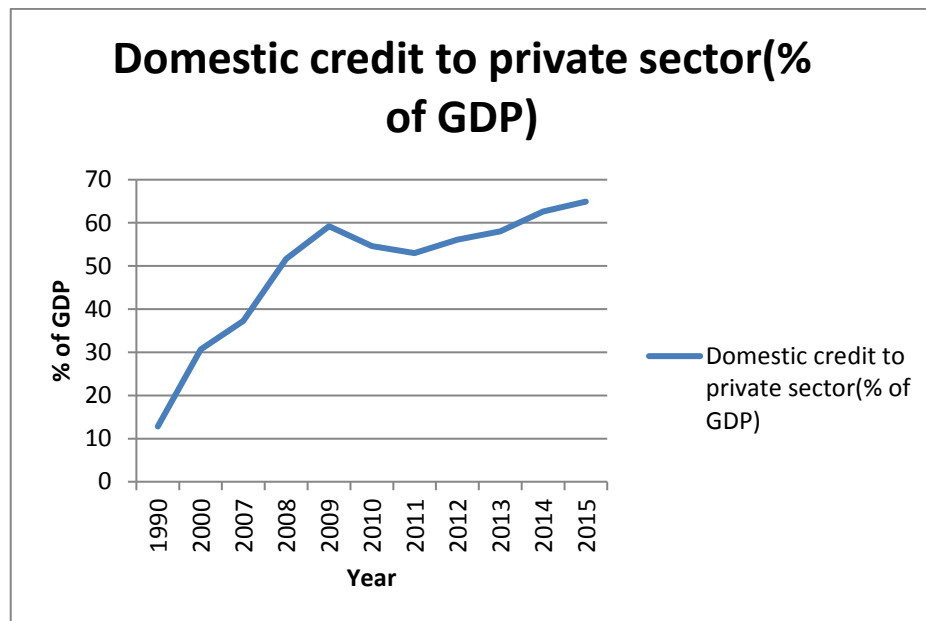


Figure 3-3-1. Domestic Credit to private sector

Sources: the world bank (2015)

Goal of Privatization in many countries economies is to establish a private enterprise has its own economic political, environmental, social, Technological and some legal objectives. In of least developed or developing countries like Nepal, the objectives of main establishing the privatized enterprise is to achieve economic development in organized and balanced manner by

providing basic infrastructures. In the context of Nepal privatization is to generate and to improve national revenue.

In the Nepal, Public enterprises (PEs) are usually defined as government-owned body and active operation of agencies which engaged in supplying of goods and services to the public otherwise it might be supplied by privately owned profit-motivated firms which present commercial, industrial, economical activities, state ownership and self-contained managerial care etc.

3.6 Privatization of the public Sector

The first public enterprise to have authorized validity in Nepal was the Nepal Bank Limited, established in 1938. After the beginning of the bank as a public enterprise, a series of additional PEs were established. In total, there were 62 PEs and of this 39 impressive growth in the number, role and scope of public enterprises. But their financial performance has always remained below a satisfactory level. The Government of Nepal has established several public enterprises that were supposed to play a catalytic role in the social and economic development process of the nation. The Government has been investing huge and huge amounts of resources and finance annually into this sector to achieve the goal and provide more facility to nation and their nationalities but it was not going that way.

The standards of PEs are lowered by a series of factors, which include suffering from political interference, frequently changes of membership on board and of the chief executive officer(CEO), mismanagement, lack of capital, over staffing and poor financial management and other accounting and poor record keeping makes company losses, as an example we can take it (one Rupees is an official currency of Nepal and one US \$=63.35 Nepalese Rupees (as of 20th January, 2007) justified criticism but now One US \$=109.65(30th November 2016),this result of unbalanced economy due to unorganized company. Nepalese economy not significantly growing up because of a lot corruption and short term government pushing it more back. Unstable government makes every situation difficult, why not company?

In order to overcome such problems, and with the aim of contributing to national development by raising their efficiency, the privatization program of public enterprises in Nepal

was introduced in the late 1980s and has gained productivity since the early 1990s at 1990s the democratically elected government came into power. As a total 40 analysis of the financial management of public enterprises in FY 1991/92 revealed a total net operating loss of Rs.1, 145.5 million. Over the end of FY 1991/92, net share in the PEs totalled Rs. 50,530.3 million. In FY 1991/92, return on asset in the PEs documented a negative 2.4% (MoF, 2000- Economic Survey 1999:74).

That makes government and public to privatized company and in 1991, an attitudinal survey on privatization was sponsored by USAID as I already mentioned in introduction part. The on-going deteriorating condition of PEs made compelled the government to introduce an alternative policy option for the improvement of PEs but nothing changes and going vertically down. Consequently, the government introduced a privatization policy in 1991 by issuing a government concept paper, called ‘a white paper of privatization policy’, which outlined a set of three broad objectives of privatization in Nepal:

- A reduction of the managerial and financial burden on the government,
- The promotion of functional expertise to enhance productivity and output, and
- The campaign of the private sector’s role and public employees’ contribution in business investment.

The assistance and pressure from the donor community had, and still have, a major impact on the strategy of privatization in Nepal. Overall, more than 55 small- and medium-sized enterprises have been privatized since the program began. Three PEs, namely Bhrikuti Paper Mills, Bansbari Leatherage Ltd. and Harisiddihi Bricks and Tiles Factory were privatized in the first phase 1992. Similarly, company are doing same. And still private company are showing better result than those public companies. In fact, performances of the privatized enterprises, the experience of privatization in Nepal has been not satisfied. At the same time, international financial institutions like British rail, Ontario highway 407 in Canada et.al. The failure and success of any policy depend, upon the context of the policy environment and the ability to effectively implement it. Outcomes of privatization policy in developed countries are different

from those in developing countries. Certainly, consequences may even differ among developing countries.

Framework of this broad scenario, the main aim of this study is to explore the inception process of privatization efforts, to identify the main problems that have been met in the process of privatization and to identify the well-developed and long term privatization policy for a developing country like as Nepal. Several studies have been conducted in recent years to analysis the privatization in several countries as I chosen some variables which are as follows:

3.7 Nepal Telecom

One of the biggest privatizes company in Nepal. In Nepal, effective any form of telecommunication service dates to 94 years in A.D 1913. But properly telecom facility service was provided mainly after the establishment of MOHAN AKASHWANI in 1948. Later as per the plan expressed in First National Five-year plan (A.D 1955-1960); Telecommunication Branch was established in 1959. To modernize the telecommunications services and to magnify the services, during third five-year plan (A.D 1966-1971), Telecommunication Department was transformed into Telecommunications Development Board in A.D 1969. After the representation of Communications Corporation Act 1971, it was formally established as completely owned Government Corporation called Nepal Telecommunications Corporation in A.D 1975 for providing telecommunications services to Nepalese Societies. After serving the country for 29 years with excessive self-importance and wisdom of achievement, Nepal Telecommunication Corporation was altered into Nepal Doorsanchar Company Limited from A.D 2004 April 13 Tuesday. Nepal Doorsanchar Company Limited is a company registered under the companies Act 1996. However, the company is known to the general public by the brand name Nepal Telecom as listed trademark.

Nepal Telecom has always put its endeavours in providing its respected customers a quality service since its foundation. To achieve this goal, technologies best meeting the curiosity of its customers has always been nominated. The countrywide reach of the organization, from urban areas to the economically non- viable most remote sites, is the result of all these pains that

makes this organization different from others. Accordingly, in the period of globalization, it is felt that milestones and successes of the past are not acceptable enough to catch up with the global movement in the development of telecommunication sector and the progress of telecommunication services in the nation will be guided by Technology, Declining equipment prices, market growth due to upsurge in ordinary of life and lastly by healthy competition. Transforming Nepal Telecom from government owned Monopoly Company to private maintained, business concerned with, customer focused company in a competitive environment, Nepal Telecom requests its all-probable shareholders in the blessed work of homeland building.

3.7.1 Financial analysis of Nepal Telecom:

Despite the stimulating business environment in terms of upsurge in competition and effective expenditures, Nepal Telecom achieved to record a significant growth in performance during F.Y. 2014/15. The performance of the company has upgraded noticeably in last 5 years. The financial movement and highlights for F.Y. 2014/15 along with that of last 4 years is given in the table below and the price is in Nepali rupee where,

3.7.1.1 After Privatization

Table 3-3-1 Performance of NTC after Privatization

Financial Year	Total Revenue(Rs)	Total Expenditure(Rs)	Net profit(Rs)
2010/11	31,932,177	15,542,538	12,120,298
2011/12	36,791,820	21,174,631	11,605,269
2012/13	38,858,260	23,727,228	11,299,175
2013/14	39,671,121	24,242,132	11,568,495
2014/15	42,638,371	22,628,476	14,556,338

Sources: Nepal Doorsanchar Company Limited (Annual Report 2014-15)

Revenue and Net Profit after Tax in F.Y. 2014/15, company has been fruitful in earning revenue of NPR 42.64 billion with a net profit of NPR 14.56 billion. In evaluation with previous financial

year, F.Y. 2013/14, the operating revenue for F.Y. 2014/15 has improved by 10.40 percent. The net profit ratio in F.Y. 2013/14 was 29.16 percent and in F.Y. 2014/15 is 34.14 percent. The graph clearly shows the Nepal Telecom has good Net profit.

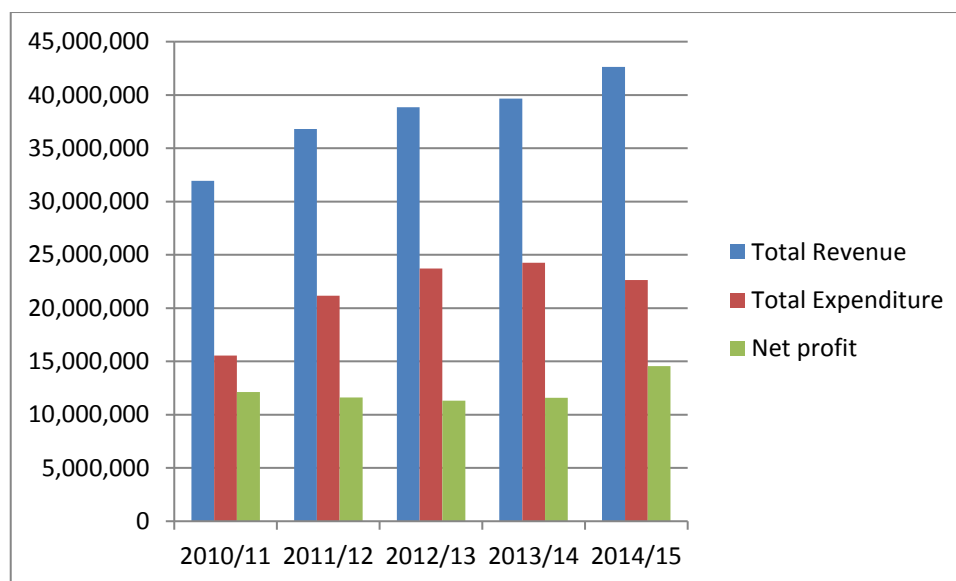


Figure 3-2 Performance of NTC after Privatization

Source: Author's calculation using Excel 2016

The given graph shows the total expenditure, Revenue and profit of the company last six years.

3.7.1.2 Performance of Telecom in pre-stage:

3.7.1.3 Before privatization

Table 3-3-2 Performance of NTC before Privatization

Financial Year	Total Revenue(Rs)	Total Expenditure(Rs)	Net profit(Rs)
2002/03	61,421,610	9,003,421	48,416,391
2003/04	93,842,513	9,003,421	53,301,969

Sources: Nepal Doorsanchar Company Limited (Annual Report)

The Effect of Privatization on Nepalese Economy

As we see above table shows the total revenue, expenditure and profit of the company before privatized. According to company data Shows there is huge changes in company after privatized. The total number of branch has been increased, number of staff and so on. For more information, the graph can help.

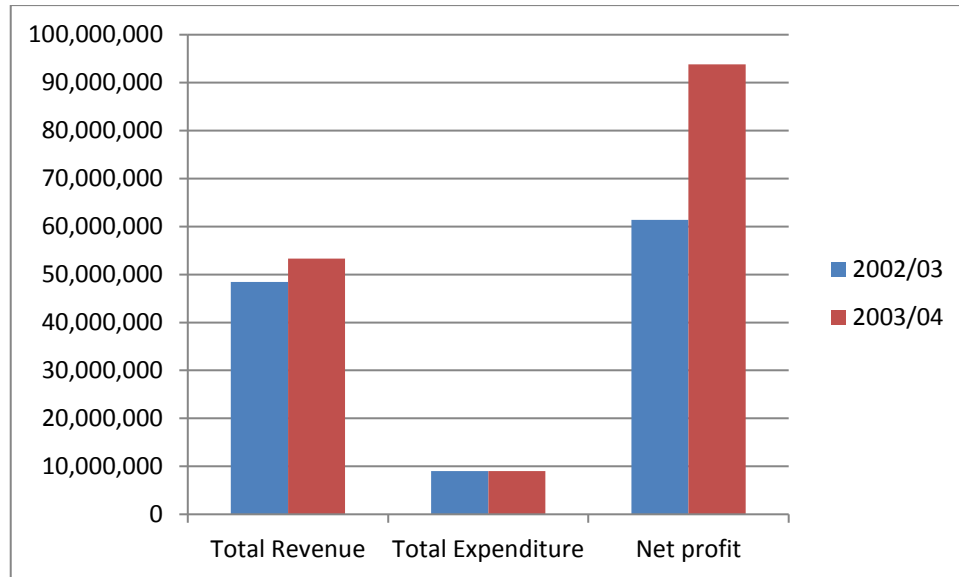


Figure 3-3-3 Performance of NTC before Privatization

Source: Author's calculation using Excel 2016

The Graph telling us, and showing clearly about the details structured of the company. From the balance sheet, income statement, Profit/loss statement, and others financial statement clarified the company's financial situation. If you compare in 2002/03 and 2003/04 net profit is much better in 2003/04 and so on as a Revenue but Expenditure looks almost same. This shows enterprises increases their value over getting old.

3.8 Nepal bank Limited (NBLs):

3.8.1 Bank overview:

Nepal Bank Limited, the first bank of Nepal was established in November 15, 1937 A.D. It was made under the principle of Joint venture (Joint venture between government & public). NBL's official capital was Rs. 10 million & issued capital Rs. 2.5 million of which paid-up capital was Rs. 842 thousand with 10 shareholders. The bank has been providing banking through its branch offices in the diverse geographical locations of the country. His Majesty King Tribhuvan initiated Nepal Bank Limited. This marked the beginning of an era of proper banking in Nepal. Until then all financial purchases were carried out by private dealers and interchange centre. In the lack of any bank in Nepal the economic progress of the country was being concerned to the people and therefore with the objective of satisfying that need by providing service to the people and for the enhancement of the country, this law in hereby program for the creation of the Bank and its procedure. From the very beginning and its establishment, Nepal Bank Ltd, was as joint venture between the government and the private sector. Out of 2500 equity shares of NRs. 100 apparent value, 40% was contributed by the government and the remaining i.e. 60% was offered for the sale to private sector. There were only 10 shareholders when the bank first in progress. The mission of Nepal Bank Limited was an is use bank's network to increase its reach all over the country from metropolitan areas to countryside areas and help in civilizing the lifestyle of rural population and in turn convert the bank of choice of corporate, average businesses and rural market. Now it has 126 branches and 2356 staff per May 3, 2016. The bank has been privatized in 1997 as shareholders.

3.8.2 Financial performance of Nepal Bank limited:

After Privatization:

Financial year 2012/13 the total revenue of Nepal bank limited was RS. 3,106,192,843 which slightly increased in fiscal year 2013/14 and being Rs. 3,356,504,572. But the total profit is decreasing. Net profit in 2012/13 was Rs. 755,180,35, and in 2013/2014 it was Rs.

716,958,108. This statistical data shows the net profit is going down instead of increasing. There should be some factors those played vital role to made those changes.

Table 3-3-3 Performance of NBL after Privatization

Financial Year	Total Revenue(Rs)	Net profit(Rs)
2012/13	3,106,192,843	755,180,353
2013/14	3,356,504,572	716,958,108

Sources: Nepal Bank Limited

As a generally the revenue is increasing in every year after privatized. As a whole research shows it's not much significant but still it's getting better and better. We can easily analyse the improving status of privatization enterprises.

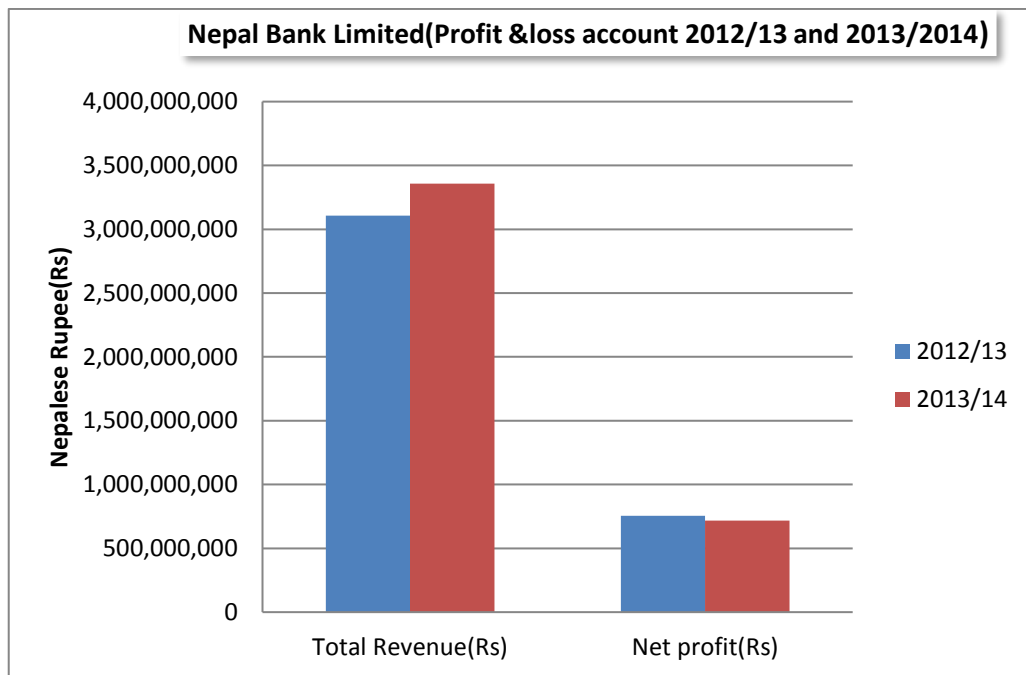


Figure 3-3-4 Performance of NBL after Privatization

Source: Author's calculation using Excel 2016

3.8.2.1 Before Privatization:

The table shows huge difference in financial sector after privatized. As total income, expenditure and total Profit after privatization is growing rapidly. In financial year 1996/97 the revenue of NBL is 911million Nepalese rupees but right after a year its decrease by 125 million rupees, which is huge amount. This result as well shows public enterprises are going deeply down. Income statement of Nepal Bank Limited, 1996/97-2000/01 as in millions of Nepalese Rupees)

Table 3-3-4 Performance of NBL before Privatization

Financial Year	Total Revenue(Rs)	Net profit(Rs)
1996/97	911	129
1997/98	786	16
2000/01	488	-1,074

Sources: Rastriya banijya bank and Nepal bank limited

All that income is depended on different factor of a country. Sometimes country politics really affect the situation because if there is war in country everything’s decrease. But that couldn’t be main factor it’s mainly depends upon management and organization.

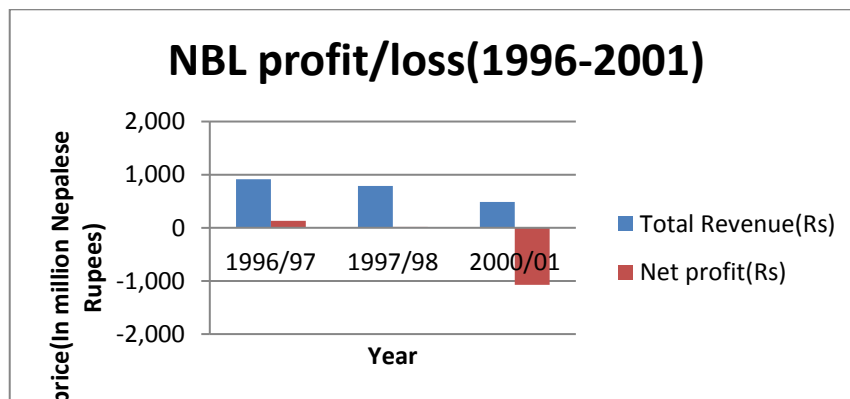


Figure 3-3-5 Performance of NBL before Privatization

Source: Author's calculation using Excel 2016

3.9 Bhrikuti Paper Mills (BPM)

3.9.1 Background:

The company Bhrikuti Paper Mills (BPM) was established in Gaidakot, Nawalparasi in 1981/82 under the Nepal Company Act of 1964, with financial aid from the People's Republic of China, and originated production in 1986/87. The main objective of the company was to offer machine-made writing and printing paper for private and public sector enterprises. The capability of the company was an annual production of 4550 tons, but production never overdone 3000 tons per annum. It company was privatized in 1992 through the assets and business sale method (in Rs.229.8 million). The company employed a total of 321 persons before it was privatized in the first phase of the government's privatization program, now the management owns a 70% share and the public a 30% share of the company.

3.9.2 The Impact of Privatization:

3.9.2.1 Financial performance of the company:

Like others companies' data were collected from the company concerning two features—first, data of two different periods of time to associate the company's performance, and second, the awareness of employees of the company.

3.9.2.2 After privatization (Rs in Million)

Table 3-3-5 Performance of BPM after Privatization

Financial Year	Total Expenditure(Rs)	Total production(MT)	Net profit(Rs)
2001	640.24	13,194	77
2002	602.44	8,998	111
2003	703.06	14,563	78

Sources: company Record

According to this above table shows that in 2002 the total production revenue and profit is goes down. It should be because of some political or some economical factor. The changing political rules and regulation might hamper for company. The graph clearly showing that the fluctuation of production, revenue and Profit.

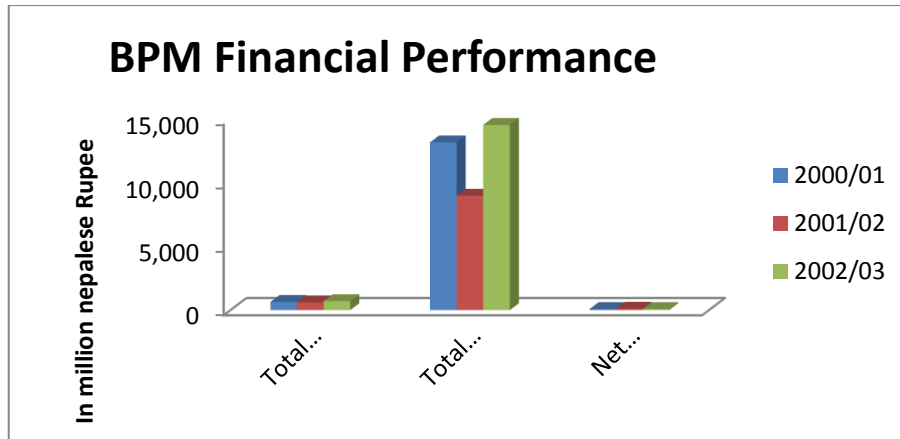


Figure 3-3-6 Performance of BPM after Privatization

Source: Author's calculation using Excel 2016

3.9.2.3 Before Privatization:

The company shows following poor result before privatized the company.

Table 3-3-6 Performance of BPM Before Privatization

Financial Year	Total production(MT)	Total Expenditure(Rs)	Net profit(Rs)
1988/1989	2968	82.2	12
1989/90	2574		4.3
1990/91	2665		

Sources: Company recorded

Continue showing this decreasing result of Profit Company had to privatize and still company doesn't show that much good result but its better somewhere. As you follow the graph you can easily recognize the difference before and after privatization of the BPM.

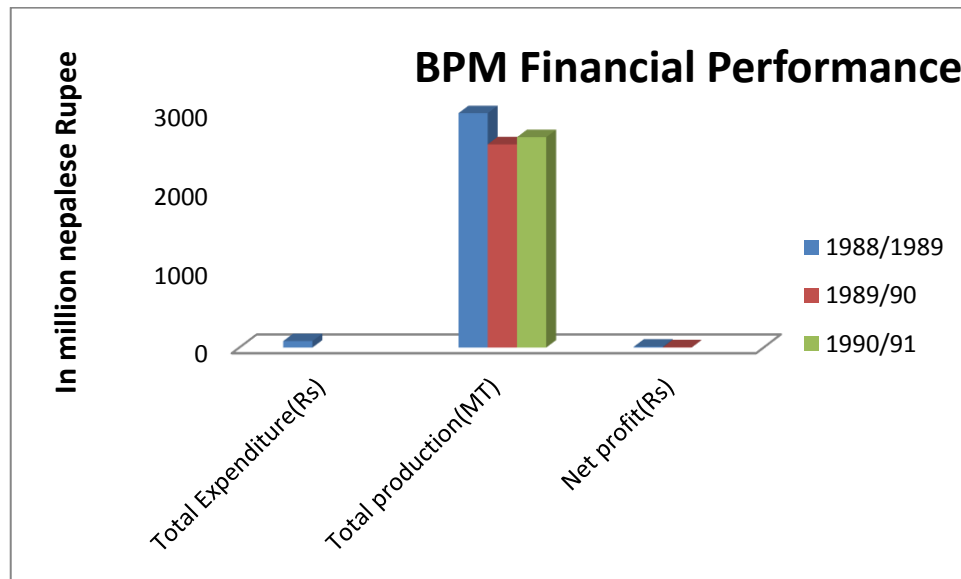


Figure 3-3-7 Performance of BPM before Privatization

Source: Author's calculation using Excel 2016

The entire performance of this enterprise is satisfied able. After privatization, the company is operating at great profit of few starting years. Although employment, production and sales are increasing, due to the over-capitalization of the company, but it is in a very challenging position regarding survival. The data shows that, the effect of privatization in this enterprise is not working properly. Total expenditure has increased extremely. Similarly, production and sales have also increased massively. The table shows that production in 2001

was almost 5 times greater than in comparison to production in 1991. Moreover, it was almost 3.38 times in 2002 and 5.46 times in 2003. The data in sales also shows a major change after privatization. The sales amount increases after privatization through the year of 2001, 2002 and 2003 are virtually 5.28, 4.68 and 5.70 times that of the year 1991 (before privatization). It shows a monumental change after privatization. Similarly, employment has increased hugely. And company employment has increased about 161.48%, which is a very positive sign. Borrowing after privatization has increased very. The data for previous years were not available, since the company was under government Ownership, so there has not been comparison made, but the amount the company has rented is so high. Concerning ability of expansion, there has been a dramatic change. New machinery was further added to produce newsprint; changes in the organization of the factory and equipment, such as wicker, pulper, decker, etc., were effected. The major change was connecting the new machine the capacity of which is to produce 70 tons of paper, 60 tons of pulp and recycling 50 tons of waste paper (8th annual report of the company). The output of the mill was expanded to produce papers of different. These changes resulted in higher production of the pulp and paper.

With the fixing of pulp and recycling paper plants, the company expanded its production. Before privatisation, it was manufacturing normal paper but now it produces export quality pulps (high-grade) and has been trading it to Japan, as well as low-grade newsprints to the Indian markets. The eco-friendly situation in this company has deteriorated since privatisation. All of the respondents powerfully blamed the company of not being serious about dropping environmental corrosion. The company claimed that it has been trying continuously to reduce environmental deficiency by installing a waste treatment plant to improve waste. They have also started the cleaner Production System and Environment controlling System Activities, with the support of the ESPS (Environment Sector Program Support) and the Institute of Environment Management, which designed to control the waste and to reduce the pollution load. The profit/loss situation again shows the overall performance of the company. The interesting point here is that the company increased its production and sales, yet has little bit loss. The major cause for this is that due to over-capitalisation, the company must pay a vast amount in interest for its borrowing; for the last couple of years it has had giant losses, as shown in the above table.

So, in terms of profit/loss measurement, the company's situation is pathetic and therefore one of the main purposes of privatisation has not been met properly for this company. The above data confirms that the performance of the enterprise is not boosting and it joins the country's category of 'sick industry', even though the impact of privatisation on investment, production, sales, technology improvement, etc. is positive.

3.10 Nepal Lube Oil Ltd.

Nepal Lube Oil Ltd (NLOL), is the licensee of Gulf Oil International to manufacturing and distribute Gulf Lubricants in Nepal. It was established in 1983 as Lube Blending plant with trade mark contract with Gulf Oil Corporation Limited; it was merged as Nepal Lube Oil Ltd. Nepal Company Act 1964 AD in 15 July, 1984. NLOL was privatized in 1994/1995 as per the Government's Privatization Policy and strategy. The company is under the management of ABB Investment P. Ltd., an enterprise of Chaudhary Group, Nepal. It's strong and ever increasing distribution network and extensive collection of products in the market, Gulf lubricants has a strong accomplish and market presence in Nepal. It currently occupies approximately 15% market share in Nepal. They focus on delivering a trustworthy supply of high-quality lubricants and providing technical application expertise to customers Nepal. They offer their product through direct sales and distributor channels. They take pleasure in meeting agreed customer requirements through continuous improvement of our processes to confirm the highest possible product and service quality.

The Energy Research Centre of the Institute of Engineering willing a discussion on the significances of the current fluctuations in fuel prices in which specialists warned of plain consequences on the Nepalese economy. The director of Nepal Lube Oil Ltd presented a 20-year data series on prices of petroleum products in Nepal, fighting that the Nepal Oil Corporation (NOC) raised to earn a profit of Rs 520 million a year even if it sold kerosene at Rs 19 per litre. And former general manager of the NOC, argued that petroleum prices were raised due to NOC's inability to take defensive measures because international prices were already ruled upwards in late February 1999. The present crisis could have been prohibited if the NOC had carefully

studied the market and prepared long-term plans for domestic consumers accordingly. Nepal's annual per capita consumption of petroleum products is 35 kg, compared to the Canada's 2,835 kg, US's 3,170 kg, and Japan's 2185 kg. In Nepal, the sale of petroleum product has been increasing by 12.41% each year.

3.10.1 Company performance of Nepal Lube Oil:

Table 3-3-7 Performance of NLO before and after Privatization

Financial Year	Net profit(Rs)
1993/94	12,148
2000/2001	4,720,000

Sources: Company recorded

According to latest analysis (2016-12-22) the total turnover of Nepal Lube oil is Rs 502,232,808. This data shows the huge and advance difference after privatized the company. Same as total traded share is 769,920 which is far difference before privatized. And total transactions and scripts traded is 3,997 and 138. As a whole references and the main statement of profit/loss statement proved that Nepal lube oil produce more and getting good profit only after privatization of the company.

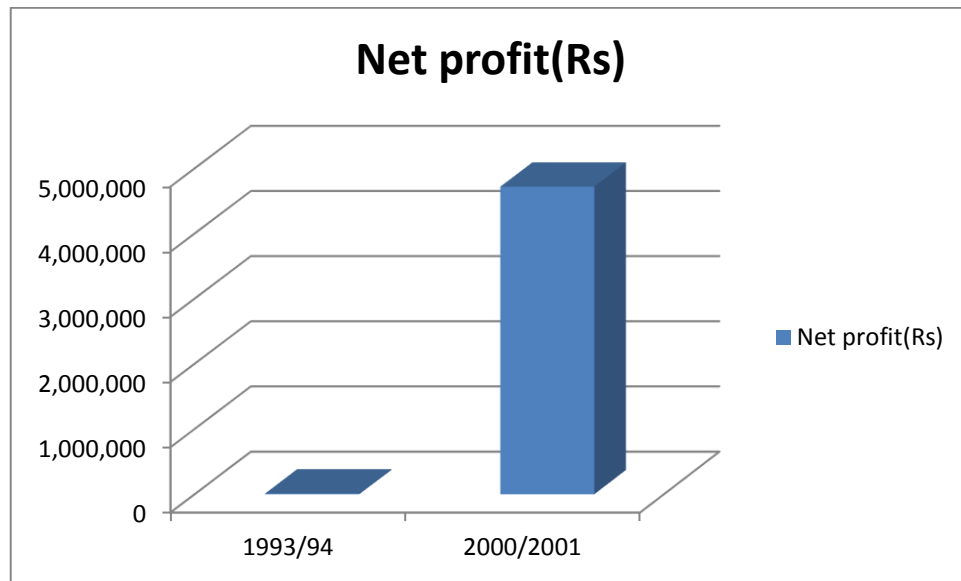


Figure 3-3-8 Performance of NLO before and after privatization

Source: Author's calculation using Excel 2016

The graph of the Nepal Lube Oil Ltd shows the difference between the profit after and before privatization. After privatization enterprises, has been increased so highly and tremendously. For the further information see the bellow table.

Table 3-3-8 Return Breakdown

Return Breakdown			
Period	NEPSE	MNP	NLO
1d	0.32%	0.00%	0.00%
5d	0.01%	0.00%	-11.98%
1m	-6.93%	-12.36%	-52.67%
3m	16.40%	23.03%	N/A
6m	20.35%	50.01%	N/A
1Y	40.90%	100.69%	N/A
Till Date	297.98%	353.60%	-61.27%

Return Breakdown

Source: Share Bazar Nepal

3.11 Nepal Foundry Industry:

3.11.1 Introduction about company:

Nepal Foundry Industry is located at Sat Dobato, Lalitpur. It was established in 1979 with the financial and technical support of UNDP as a project and later converted into a public enterprise in 1990 by the Nepal government. Its major products before privatization were cast

iron products. However, since privatization the company diversified its product ranges. The company was privatized in March, 1996 through the share sale method. The government owns 44% shares, private promoters own 51% shares, and a 5% share has been allocated to employees, but has not yet been distributed and is still with the government.

Privatization Approach:

A complete valuation and judgment were carried out with the objective of providing a complete collecting of the data necessary to enable the government to reach a conclusion about the commercial value and likely value of the enterprise. The evaluation report clearly stated that the privatization objectives would be realised either through the sale by all shares or through the sale of the transferable assets for the rearrangement of the industry within Nepal. It was also stated that the government could do so by choosing one of the options. The options were as sale of shares and sale of movable assets. Sale of share contain 51% block shares to interested Nepalese investors group of investors, 44% to the general public and involved corporate bodies; and 5% to the employees of the company (NFI). There is another option is sale of movable assets which shall be sold for the rearrangement of the industry with some circumstances or situations. The current assets shall be shifted on book value and the dealers should retain all those employees who want to continue their service with the new supervision. Out of the total shares of the new company designed, the new management will separate 25% of the shares to the public and 5% of the shares to the employees of the company within. (MoF, 1995: section 2 p.1-2).

3.11.2 Impact of privatization:

3.11.2.1 Financial situation about company:

As similar the other enterprises, data were collected relating to of this enterprise quantitative data for two different eras of time (before privatization and after privatization). The quantitative data are collected for this enterprise is given in the following table which was provided through company website and email.

3.11.2.2 After privatization:

Table 3-3-9 Performance of NFI after Privatization

Financial Year	Total Expenditure (Rs in million)	Total production(MT)	Net profit(Rs in Million)
2001/02	12.77	203,786	0.42
2002/03	11.73	215,937	2.7
2003/04	9.53	141,979	0.3

Sources: Annual report of company

The above table shows the variations in NFI before the privatization and in the three years after privatization. The table specifies that there is an incredible increase in production, sales, total expenditure and to some extent profit also. Though, the profit ratio for 2003 had decreased in comparison to the year 2002.

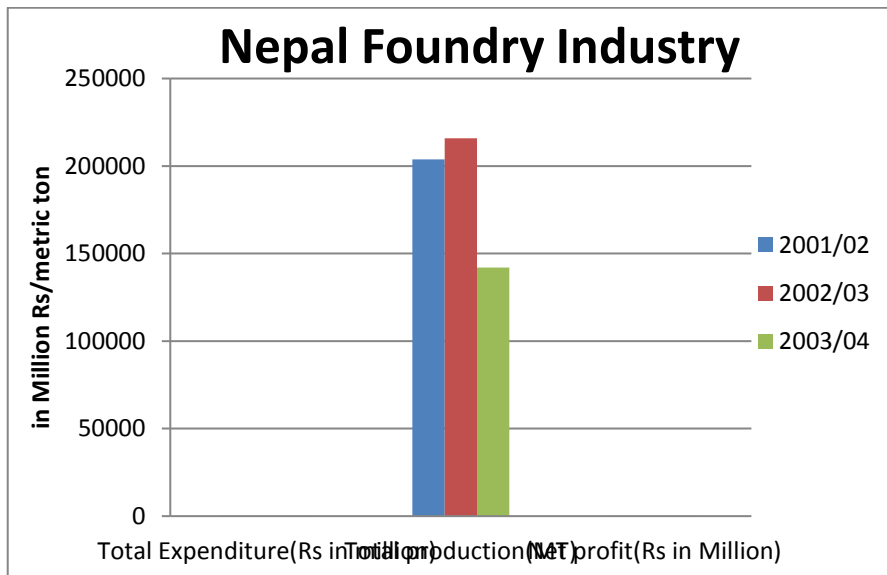


Figure 3-3-9 Performance of NFI after Privatization

Source: Author's calculation using Excel 2016

The data presented in the above graph shows that the production increased by a giant amount after privatisation. The expenditure as well increased more than 215% in 2001, compared to 1995 (straightaway before privatisation), 197% in 2002 and about 160% in 2003.

The tendency is decreasing, but the percentage of expenditure is still high. Similarly, total production and sales have increased expressively after privatisation though at altered volumes. Employment, in difference, decreased significantly after privatisation and involves of almost all temporary workers rather than permanent. Only a few managerial staffs are permanent. Thus, the effect of privatization on employment in this company is negative.

3.11.2.3 Before privatization:

According to the below table the net profit is going to increase every year but the total production is slightly decreased. In 1993/94 and 1994/95 because of unavailable data I couldn't find. But it looks not so nice through the Increasing point of view.

Table 3-3-10 Performance of NFI before Privatization

Financial Year	Total Expenditure (Rs in million)	Total production(MT)	Net profit (Rs in Million)
1993/94	6.61		2.33
1994/95	8.02		2.72
1995/96	5.93	107,884	3.87

Sources: Annual report of the company

The graph is showing the veracity of company before privatized the company. According to table and graph before privatization company hadn't get well production and others financial capability.

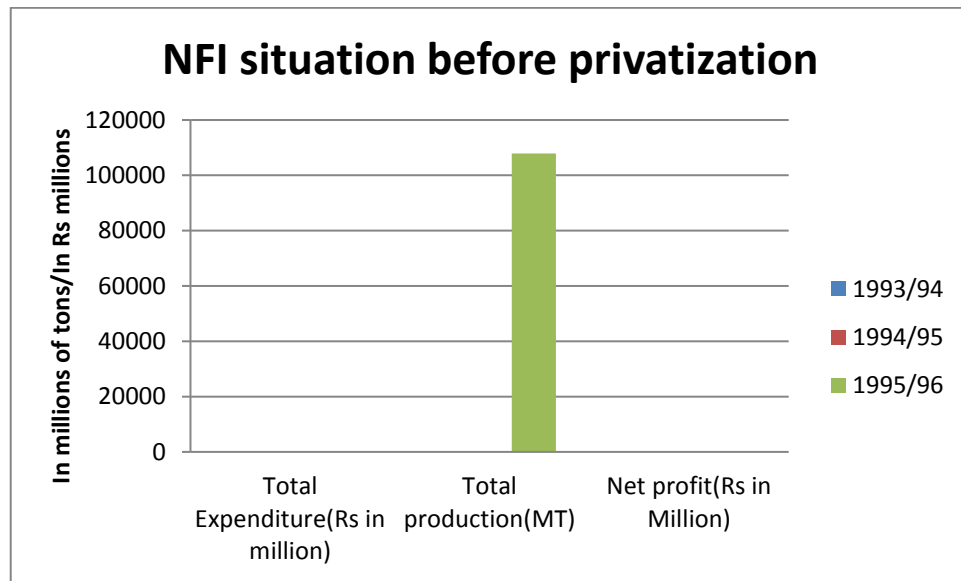


Figure 3-3-10 Performance of NFI before Privatization

Source: Author's calculation using Excel 2016

Concerning volume enlargement and product expansion, there has been positive development in this company. According to the management, after privatisation the company expanded its products base to steel, copper iron, and manganese from the traditional, cast-iron base. The types, quality and excellence of products have also increased. In terms of capacity consumption, the situation is slightly enthusiastic. Before privatisation, it just operated about 23% of its total capability but after privatisation it has enlarged by about 43%, 45% and 30% in the years 2001, 2002 and 2003 correspondingly. Although the capacity of utilised in the year 2003 decreased from that of the previous year, the percentage is again higher than before it was privatised. In terms of profit, even though the company is marginally in profit position. The company shows a progressive result in its profit/loss situation. Though the volume of profit is negligible, the company has shown an overall positive result in recent years. Still, they were unsympathetic about the profits and advantages they received after privatization.

3.12 Overall performance of Public Enterprise:

The focusing objectives behind establishment of Public Enterprises have been to make accessibility of essential goods and services to end users at ample prices; creating stimulation for vibrant economy; ; building basic structures and arrangement for maintainable development and sponsoring social justice through contribution to economic growth and the people's prosperity. After acceptance of generous economic policy in Nepal and successive formulation of law thirty Public Enterprises have been privatized as per the government policy of their steady privatization for decreasing government investment in PEs. Even though the disinvestment policy of the Government of Nepal that objectives gradual privatization of PEs, there is a experiment of effective privatization among the necessity of providing necessary services to the people while functioning the businesses in earnings. There are seven (37) PEs operating under full or limited ownership of Government. The net operating income of these thirty-seven (37) PEs has reached Rs. 270,484.70 million in fiscal year 2014/15. This amount is higher by 5.06 percent as compared to that of previous fiscal year 1013/14. The net operating income of these public enterprises in fiscal year 2013/14 was Rs. 257,817.30 million. Such progress in net operating income indicates that financial working skill of PEs has upgraded. Among 37 PEs operating by fiscal year 2014/15, twenty of them were operating in net profit but 14 at net loss. Thus, the share investment and loan investment of the Nepal government in FY 2014/15 stayed higher by 8.93 percent and 16.37 percent respectively as compared to former fiscal year.

The total shareholder's stock of Public Enterprises (PEs) totalled Rs. 173,379.3 million by fiscal year 2014/15. In the previous fiscal year, such shareholder's fund stood at Rs. 105,989.5million. As compared to fiscal year 2013/14, shareholder's fund of enterprises has increased by 63.58 percent in its following year. The net fixed assets of Public Enterprises that totalled Rs. 126,270.03 million in 2013/14 departed up to Rs. 244,138.8 million in its consequent year. Dividend to Government of Nepal from PEs that totalled Rs. 6,618.7 million in fiscal year 2013/14 dropped slightly to Rs. 6,458.4 million in fiscal year 2014/15 and this is calculated at 5.12 percent of the share investment of Rs. 126, 160.3 million. In this period, government of Nepal has received dividend from Nepal Telecom Company Ltd., Industrial Estate Management Ltd. and National Housing Company Ltd.

3.13 Sector-wise Analysis of Public Enterprises:

In this below, the graph as well showing or representing the situation of public enterprises.

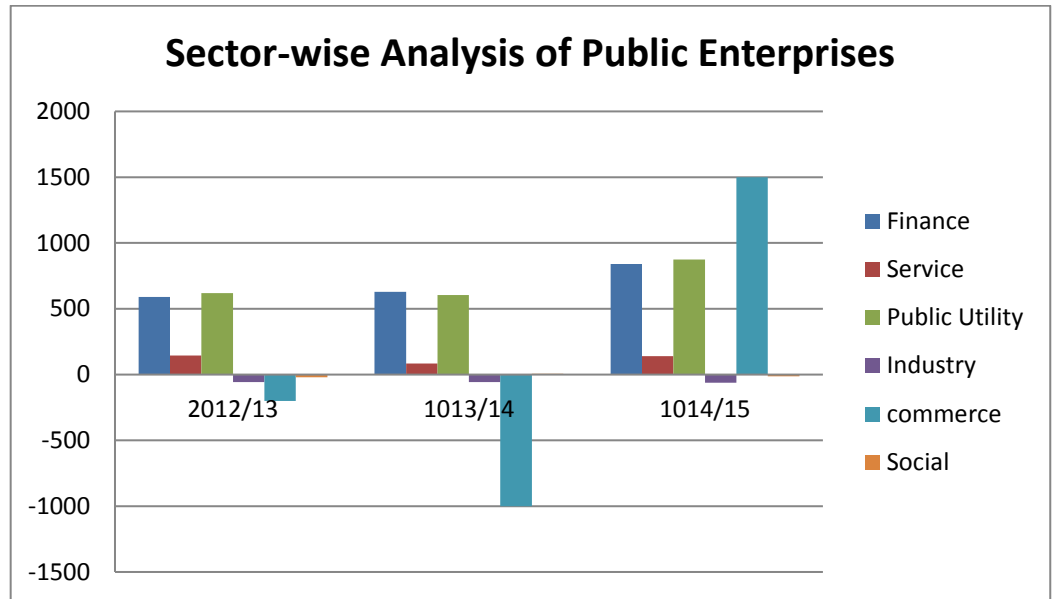


Figure 3-3-11 Sector-wise Analysis of Public Enterprises

Source: Central Bureau of Statistics

The above data are collected through Central bureau of statistics 2015/2016. According to graph in financial, service and public utility sector those public enterprises showing mounting. But others and big leaders like Industry, commerce, social sector are declining.

3.14 Different period and public enterprises:

Table 3-3-11 Analysis of the Performance of Public Enterprises

Periodic Plan	Total number
Prior to 1956	1
First plan (1956-61)	8
No Plan Period (1961-62)	11
Second Plan (1962-65)	22
Third Plan (1965-70)	34
Fourth Plan (1970-75)	61
Fifth Plan (1975-80)	59
Sixth Plan (1980-85)	54
Seventh Plan (1985-90)	63
No Plan period (1990-92)	62
Eight Plan (1992-97)	46
Ninth plan (1997-2002)	43
Tenth Plan (20002-2007	36
Eleventh Plan (Three Year Plan) (2007/8-2009/10)	36
Twelfth Plan (Three Year plan) (2010/11-2012/2013)	37

Source: Poudel,2006 (Original data from NPC); Mof,2011: MoF,2012

According to the above table, we can analyse that in the prior period the number of public enterprise are just started. And it's increase significantly till fourth plan. But there is some fluctuation between fourth to no plan period. Unfortunately, with eight plan period there is decreasing public enterprises. So, we conclude that there should some factor and that should be Privatization. Company get good benefit and quality through privatized.

4 Empirical Finding:

4.1 Empirical Research review:

Numerous pragmatic studies have been directed to measure the economic effects of privatization on the afresh privatized firms throughout the world and Nepal. But only a limited number of empirical studies have struggled to measure the effect of privatization on the economic growth in the developing countries like Nepal. Even though in Nepal, there has been a lot research to know the factor what really affecting in privatization and what is the beneficial point after privatization. Possibly the main reason for the nonexistence of such studies rises out of the fact that privatization has been a new miracle, particularly in developing countries and even developed countries. As we can see those developed countries were used the same rules and methods to get this position. The main difficulty with building an empirical study that measures the impact of privatization on economic growth is since many factors and guidelines have been significant roles in the rate of economic growth. To get a coefficient of privatization, it is necessary to run the regression using each possible combination of independent variables in privatization. After the process is complete, all the statistically significant coefficients of privatization are used to estimation the base coefficient of privatization as well as the maximum extreme coefficient and minimum extreme coefficient. A privatization variable in a study should reflect the magnitude of privatization in each country and each sector which has been privatized, thus making the greatness of privatization a central measurement. The empirical results be contingent heavily on the regulator variables used in the regression analysis. The statistic that proceeds from privatization are used to measure the levels of privatization in each enterprise might positively or negatively impact the authority of the empirical results. It is probable that developing with underdeveloped supervisory systems may have boosted proceeds from privatization (Cook, 2et.al 2003).

4.2 Model of specification:

In this field, certain procedures were used. This chapter explains in details the procedure approved in incoming at the implication of this research work. Research decision is the frame work of examining a research problem. In other way, it refers to the methods used in collecting data which are to be used in studying and analysing a survey problem. Data collection on its

own implicates a range of activities from the individuals in the library mining information from volume of materials accessible as favours to this work. In this section, we follow our objective additional by specifying our model. The model is to verify the performance and fact effect of privatization on Nepalese economy. The methodology is to adapt the model by specifying a multiple regression equation made up of profit as a function of the independent variables.

4.3 Justification of the Model:

In this section, methods of data collection were used in the collection of data from different major privatized company. The use of data was chosen for this study because it considered being the most appropriate method for the needed material at the tiniest amount of time. Though this has been chosen amongst other instrument of data collection for this revision because of some additional advantage it has over further methods.

4.4 Method of Evaluation:

Seeing the nature of the study and the fact that privatization being the foremost explanatory variable is a dummy variable, we estimate the effect of the variable in a question. Some statistical econometric tests will be used to calculate the regression, this include coefficient of multiple determinant R² which measures the magnitude to which the explanatory variables explain the variation in the dependent variable. The F statistic measures the overall significance, the beta coefficients measures the relative significant of each of the independent variable t-statistic.

The focusing purpose of the study is to examine and understand the effectiveness of privatization as a policy to promote growth in Nepalese Economy. Thus, this study uses regression analysis to estimate the effects of privatization on economic growth. After analysing previous theoretical and empirical studies on privatization, I took into consideration the suggestions and shortcomings of those studies. I wanted to examine the effects on Profit/loss, Expenditure, Revenue, public interaction and property rights in regards to their interaction with privatization. Theory suggests that each of these factors might play a role in influential of impact that privatization has on economic evolution.

4.5 RESEARCH APPROACH:

The approach used in this study is basically gotten from secondary foundation and sources. This is observed as the plan structure and strategy of investigation comprehended to obtain answers to research problems. It guarantees that the required data are collected and that they are precise. However, the secondary data used in this study was obtained mainly from the world trade organization, trading economics, and Ministry of Finance (Nepal).

5 Presentation and analysis of result

5.1 Presentation and interpretation of the result

Dependent variable: Gross Domestic Product.

Method: Multiple Regression

Technique: Ordinary least square (OLS)

Included observation: 15 In all the tables used in this section, the standard errors of each coefficient appear in the parenthesis right below the corresponding coefficient. Also, there is represent coefficients that are statistically significant at 5%. Company wise presentation can explain more in detail.

5.1.1 Bhrikuti Paper Mills

Regression 1 is possibly the simplest description used in the study. However, it yields some valuable information concerning the relationship between growth and privatization as well as the strength of including the other variables in the model. The coefficient of privatization is positive, and is statistically significant at any acceptable level of probability. The positive coefficient of privatization along with the statistic that it is statistically significant, recommends that the model specification in regression 1 (BPM) showing that, there is enough additional explanatory variables. Moreover, the coefficients of the control variables comprised in Regression #1 (as well as all the other regressions) seem to be reliable with basic economic theory. Possibly the result affecting to the control variables is the statistically significant positive coefficient of the variable, representative the level of government spending. The theoretical

reason for including as a control variable was based on the idea that it would be a substitution for government dishonesty, and therefore should have a positive coefficient.

Thus, a positive coefficient is conflicting to theory and somewhat amazing because enterprises were raised right after privatization. Though no wide-ranging empirical test has been done in this study to test the validity of the grouping of controller variables used in the study, the results in Regression 1 do give the attachment of these variables.

Table 5-5-1 BPM Regression

SUMMARY
OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.856918032
R Square	0.734308513
Adjusted R Square	0.713870706
Standard Error	29.04809085
Observations	15

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	30316.52817	30316.53	35.92893	4.48913E-05
Residual	13	10969.29057	843.7916		
Total	14	41285.81873			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	-23.725	8.385461536	-2.8293	0.01421	-41.84068827	-5.60931
Privatization	112.3916667	18.75046202	5.994075	4.49E-05	71.88375623	152.8996

Source: Author's calculation using Excel 2016

From the overhead, the interpretation of the result as esteem the coefficient of various representors is stated as the regression analysis data of the Bhirkuti Paper Mill shows in a stable position. From the observation of 15 years' data we found stable R Square 0.734, it means that there our data shows there is 74% of goodness of fit in our research. Whereas the P-value is also the significant. However, coefficients 112.3 indicates that there is a profit in the privatization in the paper mill, it shows government can increase the privatization of paper mill in Nepal. For

every additional degree of privatization, the expected number of profit increase by 112.39 Rs. million on average, on holding all others variables constant. This above table illuminate that that privatization of enterprises is beneficial for the whole entire economy of the country.

5.1.2 Nepal Bank Limited:

Regression 2 is conceivably the simplest description used in the study. However, it yields some valuable information regarding the relationship between growth and privatization as well as the strength of counting the other variables in the model. The coefficient of privatization is positive, and is statistically significant at any acceptable level of probability. The positive coefficient of privatization along with the statistic that it is statistically significant, mentions that the model specification in regression 2 (NBL) showing that, there is enough additional explanatory variables. Moreover, the coefficients of the control variables comprised in Regression 2 (as well as all the other regressions) seem to be reliable with basic economic theory. Possibly the result affecting to the control variables is the statistically significant positive coefficient of the variable, representative the level of government spending. The theoretical reason for including as a control variable was based on the idea that it would be a substitution for government dishonesty, and therefore should have a positive coefficient.

Table 5-5-2 NBL Regression

SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.849761
R Square	0.722094
Adjusted R Square	0.700716
Standard Error	48.44631
Observations	15

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	79279.35	79279.35	33.77837	6.0546E-05
Residual	13	30511.58	2347.045		
Total	14	109790.9			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	70.91667	13.98524	5.070821	0.000214	40.7033821	101.13
Privatization	181.75	31.27196	5.811916	6.05E-05	114.191042	249.309

Source: Author's calculation using Excel 2016

Regarding to the regression analysis data shows that bank and financial institutions (BFIs) are also privatized under the Nepal Central Bank. It shows that Nepal Bank Limited shows in a stable position. From the observation of 15 years' data we found stable R Square 0.722, it means that there our data shows there is 72% of goodness of fit in our research. Whereas the P-value is also the significant. However, coefficients 181.75 it indicates that there is a profit in the privatization in the private banking, that's why in the recent economic portfolio of banking sector is increasing in Nepal. So, if the everything's held constant the profit of company (NBL) will increase by 181.75 as a privatization. So as an overall increase in profit means increase in productivity, net exports, and more consuming of the stuff.

5.1.3 Nepal Telecom:

Regression 3 is the simplest description used in the study. However, it produces some valuable information regarding the relationship between profit and privatization as well as the strength of including the other variables in the model. The coefficient of privatization is strongly positive, and is statistically significant at any acceptable level of probability. The positive coefficient of privatization along with the statistic that it is statistically significant, references that the model specification in regression 3 (NT) showing that, there is enough extra explanatory variables. Moreover, the coefficients of the control variables comprised in Regression 2 (as well as all the other regressions) seem to be reliable with basic economic theory. Possibly the result upsetting to the control variables is the statistically significant positive coefficient of the variable, representative the level of government spending. The theoretical reason for including as a control variable was based on the idea that it would be a substitution for government dishonesty, and therefore should have a positive coefficient. Therefore, the results from Regression 3 suggest that the potential success of privatization as a catalyst for economic growth would be elevated by an accompanying policy designed to regulate and promote competition

Table 5-5-3 NTC Regression

SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.8244052
R Square	0.6796440
Adjusted R Square	0.6550013
Standard Error	50.050231
Observations	15

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	69088.27	69088.27	27.57986407	0.000156
Residual	13	32565.36	2505.026		
Total	14	101653.63			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	123.6666667	14.44826	8.55927			154.880
Privatization	169.6666667	32.3072	5.25165	1.05904E-06	92.4531	239.462

Source: Author's calculation using Excel 2016

Interpretation: From the overhead, the explanation of the result as regard the coefficient of various representations showing the effect of the company after privatization. Permitting to the Privatization through government of Nepal, Nepal Telecom shows the outstanding preview in the recent year. However, the regression analysis data of the Bhrikuti Paper Mill shows in a good position in telecom market in Nepal. From the observation of 15 years' data we found stable R Square 0.67, it means that there our data shows there is 67% of goodness of fit in our research. Whereas the P-value is also the significant. However, coefficients 169.66 indicates that there is a profit in the privatization in the Nepal Telecom, it shows government can increase

the privatization of telecom Market in Nepal. For each supplementary degree of privatization, the predictable number of profit rise by 169.67 Rs. million on average, on holding all others variables constant.

5.1.4 Nepal Foundry Limited

Regression 4, produces some valuable information regarding the relationship between profit and privatization as well as the strength of including the other variables in the model. The coefficient of privatization is strangely positive, and is statistically significant at any acceptable level of probability. The positive coefficient of privatization along with the statistic that it is statistically significant, references that the model specification in regression 4(NFL)showing that, there is enough extra explanatory variables. Moreover, the coefficients of the control variables comprised in Regression 2 (as well as all the other regressions) seem to be reliable with basic economic theory. Possibly the result upsetting to the control variables is the statistically significant positive coefficient of the variable, representative the level of government spending. The theoretical reason for including as a control variable was based on the idea that it would be a substitution for government dishonesty, and therefore should have a positive coefficient. Therefore, the results from Regression 4 suggest that, success of privatization as a compound for economic growth would be raised up by a supplementary policy planned to control and encourage competition. This is very possible that many countries are privatizing public enterprises to generate and reserves to transaction with great debt. Thus, such countries are not making privatization conclusions based on the relative effectiveness of an enterprise and therefore are not experiencing the benefits of privatization.

Table 5-5-4 NFL Regression

SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.832881
R Square	0.693691
Adjusted R Square	0.670129
Standard Error	0.47705
Observations	15

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	6.70004	6.70004	29.4408609	0.000116
Residual	13	2.95849	0.22757		
Total	14	9.65853			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	1.5325	0.13771	11.1282	5.13555E-08	1.234991	1.83000
Privatization	1.670833	0.30793	5.42594	0.00011588	1.005582	2.33608

Source: Author's calculation using Excel 2016

Interpretation:

From the regression analysis through excel, Nepal Foundary Limited shows the exceptional preview in the recent year. However, the regression analysis data of the Nepal Foundary Limited shows in a good position in leather market in Nepal. From the observation of 15 years' data we found stable R Square 0.69, it means that there our data shows there is 69% of goodness of fit in our research. Whereas the P-value is also the significant. However, coefficients 169.66 indicates that there is a profit in the privatization in the Nepal Foundary Limited, it shows government can increase the privatization of leather market in Nepal. For each additional degree of privatization, the expectable number of profit rise by 1.67083 Rs. million on average, on holding all others variables constant.

5.1.5 Nepal Lube Oil:

Regression 5, the coefficient of privatization is strangely positive, and is statistically significant at any acceptable level of probability. This regression, produces some valuable information regarding the relationship between profit and privatization as well as the strength of including the other variables in the model. The positive coefficient of privatization along with the statistic that it is statistically significant, references that the model specification in regression 5 (NLO) showing that, there is enough extra explanatory variables. privatization is a policy that will encourage growth in developing countries. It is possible that the very sensitivity variable suggests that privatization, as a potentially effective policy of economic growth, should necessarily be applied in context with other economic improvements that encourage motivations. Furthermore, the very dependence of privatization on other economic factors might indicate that privatization conclusions should be made based on specific social, political, and economic environments surrounding a country, industry. It provides a thinkable direction for the future lessons on privatization.

Table 5-5-5 NLO Regression

SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.854687
R Square	0.73049
Adjusted R Square	0.709758
Standard Error	0.169662
Observations	15

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	1.01426	1.01426	35.23566	4.94E-05
Residual	13	0.374206	0.028785		
Total	14	1.388466			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	0.130583	0.048977	2.666213	0.019404	0.024775	0.236392
privatization	0.650083	0.109516	5.935963	4.94E-05	0.413488	0.886678

Source: Author's calculation using Excel 2016

According to the above regression model we could easily find the actual impact in the country economy after the company privatized. Nepal Lube Oil is one of the good privatization company in Nepal, it shows the outstanding preview in the recent year. However, the regression analysis data of the Nepal Lube Oil shows in a good position in telecom market in Nepal. From the observation of 15 years' data we found stable R Square 0.73, it means that there our data shows there is 73% of goodness of fit in our research. Whereas the P-value is also the significant. However, coefficients 0.65 indicates that there is a profit in the privatization form the Nepal Lube Oil. For each added degree of privatization, the expectable number of profit upsurge by 0.650083 Rs. million on average, on holding all others variables constant.

5.1.6 GDP of the country and privatization:

Public enterprises of Nepal have been extensively criticized from the viewpoint of financial performance. The government invested giant amounts of capital in public enterprises,

but the financial return was not reasonable and satisfactory compared to the capital employed. While public enterprises were supposed to generate investable surpluses for government, they often raised weights on government budgets, in many cases amounting to significant sums. It is a much more challenging task to make Nepal Stock Exchange Ltd. More competitive with the involvement of either suitable strategic companion or through corporate privatization to experience its organizational improvement. Similarly, there has been another challenge to bring changes in the ownership structure for active operation of electrical transmission and clearing and clearance works. Following the implementation of substantial financial strategy in Nepal and following design of law thirty Public Enterprises (PEs) have been privatized as per the government policy of their steady privatization for dropping government investment in PEs. Despite the disinvestment policy of the Government of Nepal that focus on upgrades and gradual privatization of PEs, there is a challenge of actual privatization amid the requirement of providing confident services to the people while working on the businesses literally for profit. More information and fact is explaining by the table in the below.

Table 5-5-6 GDP of the country and Privatization

SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.9099
R Square	0.8279
Adjusted R Square	0.7418
Standard Error	15.574
Observations	16

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	5	11666	2333.126	9.6189	0.001406
Residual	10	2425.6	242.5563		
Total	15	14091			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	47.008	511.74	0.091859	0.9286	-1093.22	1187.236
Final consumption expenditure, etc. (% of GDP)	-0.098	4.6984	-0.02076	0.9838	-10.5663	10.37124
Foreign direct investment, net inflows (% of GDP)	-24.06	33.014	-0.72888	0.4828	-97.6231	49.49665
General government final consumption expenditure (% of GDP)	14.969	9.717	1.540467	0.1545	-6.68208	36.61939
Exports of goods and services (% of GDP)	1.83	2.4932	0.734	0.4798	-3.72525	7.38534
Privatization	64.531	10.481	6.156824	0.0001	41.17752	87.88486

Source: Author's calculation using Excel 2016

This number 0.8279 indicates that the independent variables like consumption, investment, Government expenditure and net exports accounts for about 82.79% of the variation in the dependent variable as a GDP. Giving to above statistics table, the goodness of fit (R square) is 0.8279, that means 82.79% of variance output variable is explained by variance of input variance.

As we know,

$$GDP = C + I + G + NX,$$

Where,

GDP= Gross domestic Product,

C= Consumption,

I= Investment

G= Government Expenditure and

NX= Net Export (Export-Import)

From the above table, it is observed that the parameters imitate to the economic theories. A stable relationship which occurs between investment, Consumer expenditure, Government expenditure, Net Export and GDP indicates that an improvement in C, I, G, NX will result in a positive change in the Gross Domestic Product. This conforms to the priori norms because an increased or high C, I, G, NX over the years will increase GDP in the economy. As we can see the P-value found statistically significant more in after company privatized.

As general some factors don't look significant, that means The GDP of Nepal is not contribute through those above variables like NX, G, I, C, there is some different factors which really affecting the economy. But as we can see the GDP is increasing when Privatization is getting up. For the more information, we can see the fluctuation of factor. It can be the main reason to get a bit not good result.

Table 5-7 GDP and its factor

Indicator Name	GDP	Consumption	Investment	Government	Net Export	Privatization
1989	192.7888697	89.70881269	0.011914122	10.02251622	11.06760466	0
1990	193.5557994	93.00831399	0.163746322	8.663069544	10.52730912	0
1991	203.8472967	91.44008126	0.056611336	8.953885671	11.49075129	0
1992	172.0775865	89.0712991	0.06936542	7.797561985	15.95972613	0
1993	180.1850079	87.75275782	0.0875465	8.481233137	18.43296411	0
1994	194.9610926	90.04064796	0.09658421	8.022702638	18.99393793	0
1995	205.7465272	84.34470232	0.2496257	9.246948785	24.97315898	0
1996	206.4409708	85.6175307	0.42374943	9.247407729	22.81757514	0
1997	219.6310635	86.0391497	0.468752021	8.90760856	26.32783507	0
1998	212.3742546	86.22612973	0.247611787	9.31210424	22.82205122	0
1999	215.8966735	86.38652072	0.086418535	8.925668643	22.84847209	0
2000	231.4329676	84.82771524	-0.008824258	8.949953622	23.28400371	0
2001	248.8329359	88.28426242	0.347091518	8.104973965	22.5607505	1
2002	246.8035835	90.51024828	-0.098374869	8.398430273	17.73712952	1
2003	254.553804	91.4387757	0.233443621	8.66503735	15.69986449	1
2004	288.669767	88.25074662	-0.005737557	8.644077586	16.68269526	1

Sources: World Development Indicator

5.1.6.1 GDP:

Giving to this table, we can see the ups and downs of the company. This shows it's seems increasing in GDP per the Privatization.

The Effect of Privatization on Nepalese Economy

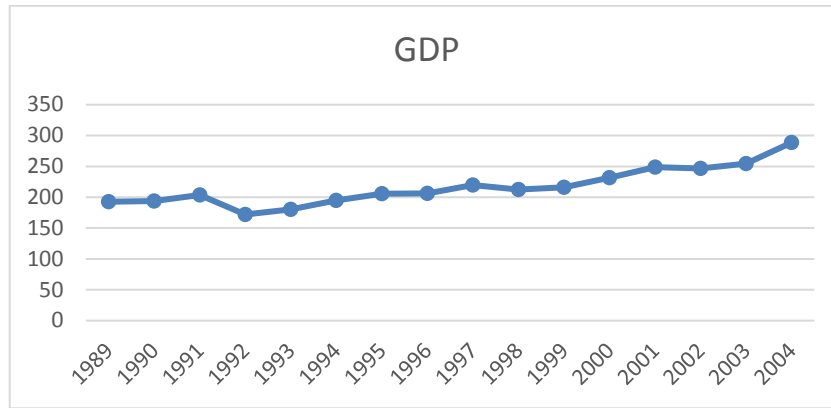


Figure 5-1 GDP

Same as GDP those others factors are getting ups and downs. It doesn't look stable and well increasing according to the GDP.

5.1.6.2 Consumption:

We can see the contribution of consumption and It's affect in the GDP.

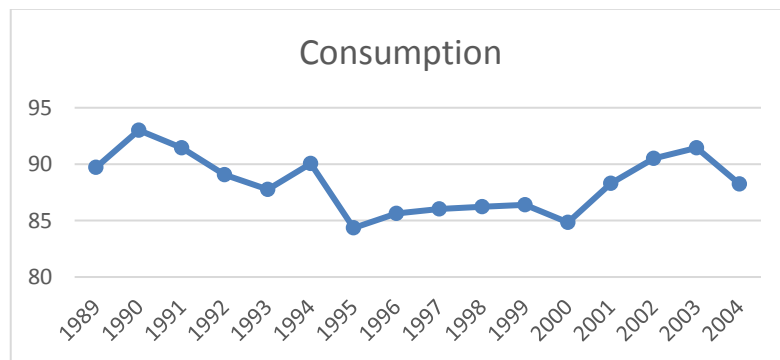


Figure 5-2 Consumption

The above Graph clearly representing that, in 2003 the consumption was high and again it's steadily getting down. This should be another reason to get some problem in the above calculation.

5.1.6.3 Investment:

Another factor is Investment. From 1989 to 2004 the investment shows somewhere minus result. It is not the fair for country but still it affecting badly to the country GDP. AS we can see the below graph:

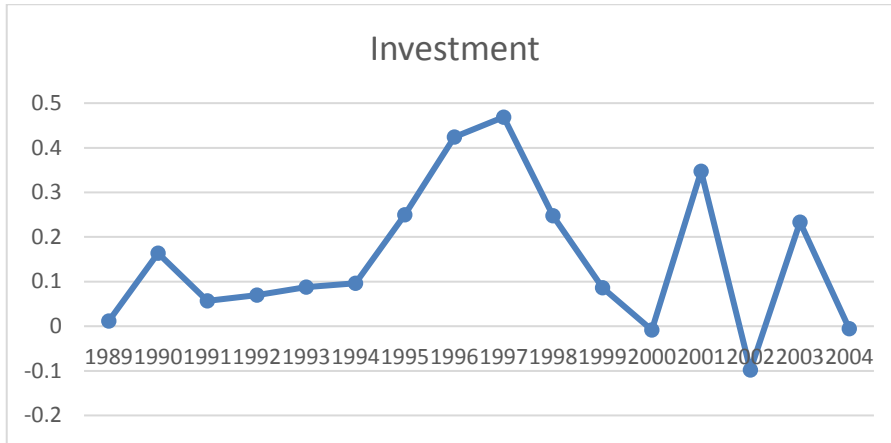


Figure 5-3 Investment

The highest pick point is in 1997 and the lowest is in 2002 and it's roughly in minus. So, this high level of fluctuation could be the insignificance for the GDP.

5.1.6.4 Government:

The net Export of the of the as well showing not regulatory result. Through graph we can understand straightforwardly.

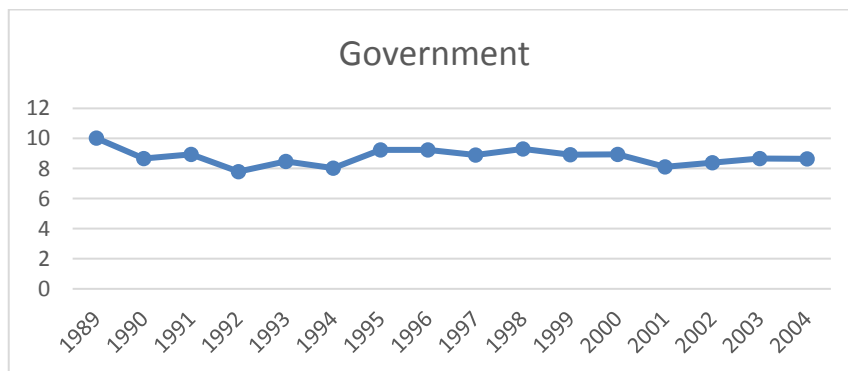


Figure 5-4 Government

5.1.6.5 Net Export:

The deletion of Export and Import called Net Export. Net export of the country in last 3/4 decade showing not much effective.

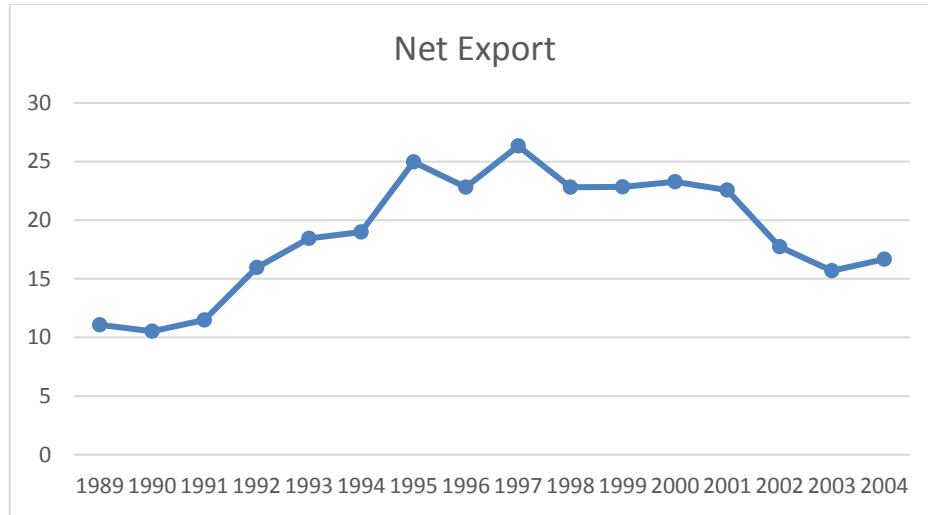


Figure 5-5 Net Export

For GDP, it looks significant rather than others factors. Net Exports of the country looks flexible but in 1997 it's in the pick level.

From all above graph and Explanation, I decide that in Nepal there is something else factors are affecting and contributing the GDP. Or there should be missing data from government site. So far, the hereby of this part is C, I, G, NX are not seeing the factors which is really contributed GDP of the country. Those hiding or missing factors has to be find out and solve the problem.

6 Summary of finding and Discussion:

Public enterprises failed in attaining their objectives of encouraging public curiosity, creating thorough economic infrastructure and stand-in as vehicles for economic progress. They turned to be a huge financial problem to the government. To report such problems public

enterprise reform became a growing worry all over the world. Several challenges were made to reform public sector through proficiency ambitions and cost aware motivations but all of them could not fulfil their mission. The programmer of privatization is a foremost opportunity for reform of Nepalese poorly public enterprises and to concoct them to attend the needs of the Nepalese economy in 21st century. There after privatization appeared as an ancillary method to address such problems. Enterprises will be made more resourceful, well-organized, more accountable and more responsible to the need of the trade it is intended to be portion the Nepalese public. The Nepalese private sector will also assistance enormously in the construction of new investment opportunities and a better investment environment. Nepal has been approving privatization programs for the last 25 years or so. Nepal has already used most of the privatization models. The most of the profitable companies to be privatized e.g. oil companies, manufactured company and so on are to be partially privatized while others are not so viable and stable are to be fully privatized. Majority of the firms to be privatized inwards at their share prices through the facility experts, while a few arrived at theirs through stock exchange in the market. Privatized enterprises have shown mixed results on their economic presentation. How to speed up the step and measure of privatization and how to improve performance of privatization has become a big encounter to the government. Those immense company has still recover their productivity, investment and expenditure for further encourage wide-awake and to develop the entire economy of the country.

7 Conclusion and Recommendations:

Overall the research has examined analysis of the performance of the privatized company, which has been passing through ups and downs in recent twenty-five years. The result declared that those variables found statistically significant in the model. Overall the research has examined analysis of the performance of the privatized company, which has been passing through ups and downs in recent twenty-five years. Privatization is an essential and effective tool for renovating state owned enterprises into private firms. The result declared that those variables found statistically significant in the model. privatization has been a means to government interested in development a new separation of employment between the public and private sectors to increase the efficiency and contribution to the development of both sectors but

priority goes to private sector. Most of the public enterprises in Nepal are the problem on the taxpayers and living tributes of maladministration, mismanagement, and unorganized and inefficiency. Unfortunately the privatization process is very slow at present. Therefore, there is a challenge to speed up the pace and scale of privatization within a time-bound outline. It is very clear that we cannot exclude economics from politics even its developed country or developing or underdeveloped and it is well known that the basic problem facing public enterprises in Nepal is control or management. Nowadays, the privatization and politics are being the part of coin. The politics somehow affecting the country economy. As we know the treaties being between countries, where politics leaders are in the front line. And this cannot be addressed through privatization. Honestly, the exercise diminishes real income and encourages people in economic recovery. As the Government of Nepal, also currently observed the primary agreement for privatization is of course, that the efficiency and profitability of the investment would improve after the exercise. This is the main reason, so public enterprises can't work worth-fully. If the government change they change the rule by themselves and work through them, so it can't develop well. There is different vision of different leaders and they just want to work when they get favour. Therefore, the National Telecommunication of Nepal called Nepal telecom which policy presents the policy objectives of the Government of Nepal in promoting the development and utilization of telecommunication infrastructure, goods and services, fast-tracking the socio-economic and political development of the nation. This makes an ornamental the quality of the life of Nepal and Nepalese people. The conclusions have been presented in connection with the regression. The study showed that to some extent the administrative and economic burden of the government has been reduced as the government is free at least from the privatized enterprises. The overall result of the study shows that in principle, privatization would enhance the efficiency of the enterprises by guaranteeing open competition and a liberalized market economy, the involvement of private sector proficiency to develop the productivity of the enterprises, but it could not subsidize equally in all economic environments. It depends on other factors and issues, like the law-and-order state of the country, a beneficial situation and environment for foreign investment, economic policy, committed to development of the private sector, political solidity and stability in the nation. Lastly, what we can conclude from the study is that though the overall impact of privatization in Nepal is not what was expected. For getting

very well result it is necessary for the global development of the country. The government should go ahead with the policy selectively. It should educate the people and circulate to them the pros and cons of privatization in order to obtain public support, so that this process that is necessary for the country might be carried out successfully. The influences of Privatization are found to be positive so far as its effects in economic faces are concerned. It has been able to increase the production with variation, diversification, improve technology, reduce the losses, reduce the fiscal problem of the government, increase private sector investment, increase the quality of goods and services etc. The improvement of technology and labour forces are the main things to follows soon as possible. However, the sustainability of these processes among the current political disturbance remains a debatable, this may be regarded apparent as it is principally acceptable for the private sector to resort to such cutbacks to remains profitable and cost-effective.

Based on the discussion in the previous sections regarding the impact of privatization in Nepal, some recommendations have been made for the improvement of the dogma and policy: As we have found, there are no legislature and representatives of trade unions, organization and management, employees of the PEs to be privatized in the Privatization Commission; it is immediately obligatory to include them in the commission to ensure that there are no anymore mix-ups and misunderstandings concerning the PEs and that all singings are gotten. They were trying to misuse the capitals of the enterprises for their own benefit, hence the financial condition the PEs declined. To eliminate this problem, efforts should be made to shorten the time of each transaction by task the necessary action before the declaration of privatization. Separate regulation should be passed as soon as possible within the framework of the privatization. Privatization should not be target based but need-based so everyone can feel it. Though the privatization of PEs in Nepal has become expected in the changing free market economy, since Nepal is a member of WTO, selective privatization should be carried out. Manufacturing/business, trading and banking sectors, for which the private sector is developed, should be privatized first on a priority basis. Until the private sector is fully developed, the privatization program could not be successful as expected. Therefore, there is an urgent need

for the promotion and expansion of the private sector in Nepal. To solve all those matter management committee should be responsible.

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