NICCI
Nepal - India Chamber of Commerce & Industry

Nepal Business Summit 2026

May 2026

Bridging the Investment Gap: Connecting Capital for Economic Growth

Panel Discussion Report

A Comprehensive Report Presented by
Nepal-India Chamber of Commerce and Industry

Event	Nepal Business Summit 2026
Session Title	Bridging the Investment Gap: Connecting Capital for Economic Growth
Date & Time	18 May 2026, 5:30 – 7:00 PM
Venue	The Everest Hotel, New Baneshwor, Kathmandu
Moderator	Jay Nishaant, Policy Advisor, NICCI

May 2026

Introduction and Background

The Nepal Business Summit 2026 convened government, business, and diplomatic stakeholders to examine the critical drivers and persistent obstacles to Nepal's economic growth. Among its flagship sessions was a high-level Cross-Border Economic Dialogue panel, co-organised and facilitated by the Nepal-India Chamber of Commerce and Industry (NICCI), which addressed one of the most pressing questions facing Nepal today: why capital is not flowing into productive investment despite a demonstrably liquid financial sector.

Held on 18 May 2026 at The Everest Hotel, Kathmandu, the session — titled “Bridging the Investment Gap: Connecting Capital for Economic Growth” — brought together a distinguished panel representing parliamentary, diplomatic, banking, and private-sector perspectives. The presence of the Hon. Minister for Foreign Affairs, Shishir Khanal, as Chief Guest anchored the panel.

NICCI’s convening of this session reflected the Chamber’s continued commitment to placing Nepal-India economic cooperation at the centre of national policy discourse, and to creating structured, substantive platforms where the private sector and public institutions can engage on shared economic priorities.

Session Overview

Moderator Jay Nishaant, Policy Advisor at NICCI, framed the session around a three-word characterisation of Nepal's current economic condition: potential, promising, and paradoxical. With foreign exchange reserves sufficient to cover 18.5 months of imports, deposits in the banking sector approaching NPR 80 trillion, and interbank lending rates at record lows, Nepal presents every surface indicator of an investment-ready economy. A newly formed government commanding near two-thirds parliamentary support, an ambitious GDP growth target of 7 percent, and aspirations of reaching a USD 100 billion economy within five to seven years complete the picture of promise.

Yet the paradox is stubborn: the investment has not arrived. Credit growth for the fiscal year stood at only 5.54 percent against deposit growth of 9.14 percent. The productive sectors that drive sustained growth — manufacturing, agriculture, export-oriented industry — remain chronically underinvested. The panel was charged with diagnosing this paradox and identifying actionable pathways forward, with particular attention to the role of Indian capital, Indian-origin companies already operating in Nepal, and the bilateral economic architecture that connects the two countries.

Panelists Highlights

Dr. Shankar Prasad Sharma *Former Ambassador of Nepal to India*	Identified Nepal's rising ICOR (now 6.5–7.0) as evidence of structural capital inefficiency. Called for MSME supply chain integration with India, simplified investment procedures, and a focus on tourism infrastructure around Buddhist and Ramayana circuits.
Amlan Mukherjee *Managing Director, Unilever Nepal Ltd.*	Argued that banking liquidity does not constitute economic wealth until it reaches consumer hands. Emphasised the case for manufacturing-led growth, called out the inverted tax structure as an unresolved four-year failure, and made a compelling case for success-story-driven investment promotion.
Ram Kumar Tiwari *MD & CEO, Nepal SBI Bank Limited*	Diagnosed banking credit stagnation through structural lenses, including post-COVID collateral erosion, investor uncertainty, and debt overhang. Proposed UPI-NPI integration, hedging instruments, and multilateral credit guarantees as priority financial reforms.

Panelists Highlights

Hon. Vidushi Rana *Member, House of Representatives & ED, Goldstar Strides*	Articulated both the manufacturer's experience of ecosystem dysfunction and the parliamentary reform agenda, including legal revisions, anti-corruption measures, and a commitment to private-sector-led growth under the RSP manifesto.
Abhiman Bararia *Country Director, Asian Paints Nepal*	Argued that banking liquidity does not constitute economic wealth until it reaches consumer hands. Emphasised the case for manufacturing-led growth, called out the inverted tax structure as an unresolved four-year failure, and made a compelling case for success-story-driven investment promotion.

Key Discussion Themes

1. Investment Climate in Nepal: A Structural Diagnosis

Dr. Shankar Prasad Sharma, former Ambassador of Nepal to India, set the analytical foundation for the discussion by situating Nepal's investment challenge within a broader structural framework. He observed that Nepal's average GDP growth rate over the past 35 years has been 4.3 percent, barely improving to 4.2 percent over the most recent decade. Achieving the government's stated 7 percent growth target on a sustained basis will require substantially more capital, but capital alone is insufficient.

Dr. Sharma drew attention to the country's deteriorating incremental capital output ratio (ICOR), which has risen from 4.5 in the early 1990s to approximately 6.5 to 7.0 today. This means that Nepal now needs significantly more investment to generate each unit of economic output than it did three decades ago — a clear indicator of declining capital efficiency. Compounding this, over 60 percent of investment flows into non-productive categories such as real estate, housing, wholesale trade, and retail trade, leaving only 40 percent for the manufacturing and productive sectors. The share of manufacturing in GDP, once at 10 percent, has fallen to approximately 5 percent.

"The economic system has become more inefficient over the last 35 years. We need more capital, but the economy has also become less productive in deploying it."

— Dr. Shankar Prasad Sharma, Former Ambassador of Nepal to India

Ram Kumar Tiwari, MD & CEO of Nepal SBI Bank, corroborated this analysis from the banking perspective. He noted that the sector currently holds approximately NPR 900 billion in excess liquidity being absorbed by Nepal Rastra Bank through short-term instruments — capital that is, in effect, idle rather than circulating through the productive economy. He identified several interconnected structural causes: the real estate slowdown post-COVID, which eroded collateral valuations and suppressed credit appetite; elevated business uncertainty around tax policy, political continuity, and economic trajectory; and the debt overhang from aggressive borrowing in the post-pandemic period, which has left many firms focused on repayment rather than expansion.

2. The Remittance Economy and Consumption Deficit

Amlan Mukherjee, Managing Director of Unilever Nepal Limited, offered a nuanced challenge to the notion that Nepal is simply "cash-rich." Money sitting in banks, he argued, is an idle asset until it translates into consumer expenditure. Nepal's liquidity surplus is primarily remittance-driven, sent home by a young workforce employed abroad and held by recipient households — typically parents and older family members — who tend to save rather than spend. This structural dynamic suppresses the consumer spending cycle that ordinarily drives economic momentum.

Mukherjee drew a parallel with India's economic trajectory two to three decades ago, when consumer spending power was similarly constrained. India's response was to open its economy to manufacturing competition, which drove quality improvements, cost reductions, and ultimately expanded household purchasing power. He argued that Nepal's path forward must similarly involve a deliberate, sustained shift from an import-dependent to a manufacturing-based economy. Unilever, which has operated in Nepal for 33 years and reaches nine out of ten Nepalese households, currently runs its production facility at 62 percent capacity utilisation — a figure that could be expanded by 30 percent if the consumption cycle were activated.

"The majority of this money is not earned through exports or productive enterprise but through remittance. Those holding it are not in a position to spend it. That money goes into the bank and stays there — it is not circling back into the economy."

— Amlan Mukherjee, Managing Director, Unilever Nepal Limited

3. Nepal-India Economic Cooperation

The panel was consistent in identifying India as Nepal's most critical economic partner. India accounts for more than 80 per cent of Nepal's exports, is its largest source of foreign direct investment, and is growing at approximately 7 per cent annually — representing a sustained demand base of growing magnitude on Nepal's doorstep. Dr. Sharma highlighted India's "Neighbourhood First" policy as an enabling framework, noting that Indian leadership has increasingly emphasised cross-border connectivity and regional supply chain integration as strategic priorities.

At the same time, Dr. Sharma offered a frank assessment of why Indian investors have not increased their presence in Nepal at a meaningful scale. Transportation and logistics costs to Kathmandu remain approximately 50 per cent higher than to comparable Indian cities such as Lucknow. While Indian infrastructure development has dramatically improved domestic connectivity, Nepal has not kept pace in reducing its own transaction and transport costs. Nepal's small market size and open border reduce the incentive for Indian firms to manufacture locally unless import substitution opportunities are compelling.

He recommended that Nepal prioritise MSME-oriented supply chain integration with India, supported by targeted regulatory incentives, as a more immediately achievable goal than attracting large-scale manufacturing and advocated for focused investment in tourism infrastructure around high-potential circuits, including the Lumbini, Mustang, and greater Chitwan areas, noting Indian interest in Buddhist and Ramayana tourism routes.

4. Private Sector Perspectives: Confidence, Compliance, and Costs

Hon. Vidushi Rana, Member of the House of Representatives and a practising manufacturer, articulated the investment ecosystem challenges from the vantage point of someone who simultaneously enacts policy and navigates it as a business operator. She described a multi-layered structural barrier facing manufacturers: high logistics costs, unpredictable supply chains, expensive and inconsistent compliance requirements, a shortage of skilled manpower, difficulties in scaling technology, and sustained policy instability.

“For a trading company to stop importing tomorrow is straightforward. But for a manufacturer to close a factory, there are workers, machinery, bank loans, raw materials, and long-term commitments. Policy must understand this difference.”

— Hon. Vidushi Rana, Member of the House of Representatives

Critically, she argued that manufacturing is categorically different from trading and deserves differentiated treatment in policy design. She also raised a structural problem within the banking relationship itself, pointing to Nepal Rastra Bank provisioning requirements that constrain banks’ willingness to lend. Under current regulations, a bank must hold 1 percent provision upon loan disbursement, rising to 25 percent if repayment is delayed by three months, 50 percent at six months, and 100 percent at one year. This structure, she argued, discourages risk-taking in lending and accelerates the deterioration of bank-client relationships — often within six months of loan origination. She called for monetary policy reform to create more conducive conditions for productive lending.

Abhiman Bararia, Country Director of Asian Paints Nepal, reinforced the private-sector diagnosis by focusing on the quality of Nepal’s regulatory environment. He identified tax unpredictability as a significant deterrent, noting instances where interpretations applied retroactively to audits covering a four-year prior period, generating compounded penalties. Customs valuation inconsistencies further compound the problem: goods expected to attract 10 percent duty have been revalued at port to attract 40 percent. Such variability, he observed, makes investment planning extremely difficult. He also drew attention to an irrational duty structure for construction chemicals, where equal duties on imported raw materials and finished products undermine the competitiveness of local manufacturers — resulting in NPR 1.5 billion in annual imports, approximately half of which is simply water.

5. Role of Financial Institutions in Mobilising Capital

Ram Kumar Tiwari made the case that a structural resolution of Nepal's credit stagnation will require more than confidence-building; it will require market modernisation. He identified several priority interventions: the development of hedging instruments such as interest rate swaps and cross-currency swaps to address foreign exchange risk and attract external investment; the integration of India's Unified Payments Interface (UPI) with Nepal's National Payments Interface (NPI) to enable real-time, low-cost bilateral settlements; and expanded use of multilateral institutions — including IFC, the World Bank, and ADB — as providers of credit guarantee facilities to lower the risk profile of productive-sector lending.

"UPI transactions in India now exceed 700 million per day, processed instantly and at minimal cost. Once UPI-NPI integration is achieved, INR-NPR settlement will happen in real time. That alone will transform bilateral transaction efficiency."

— Ram Kumar Tiwari, MD & CEO, Nepal SBI Bank Limited

He expressed cautious optimism about the incoming budget and the new government's capacity to address the structural issues that have suppressed credit demand. Nepal SBI Bank, now in its 33rd year of operation and present across 153 offices in 54 districts, stands as an example of long-term Indian institutional commitment to Nepal's financial sector.

6. Policy and Regulatory Reform

Hon. Vidushi Rana, speaking in her capacity as a parliamentarian from the Rastriya Swatantra Party (RSP), outlined the legislative and policy reform agenda that the government is committed to pursuing. The RSP manifesto prioritises a private sector-led growth model, with government functioning as a facilitator rather than a direct economic actor. Key reform commitments include simplification of business registration and licensing, effective operationalisation of a one-window investment facilitation system, legal reforms to eliminate outdated and obstructive legislation, strong anti-corruption and accountability measures, and active outreach to the Nepali diaspora for investment mobilisation.

Dr. Sharma underlined the urgency of simplifying investment procedures, citing the example of hydropower projects requiring engagement with 32 separate government offices. He pointed to the gap between legislative intent and administrative practice: Nepal's Investment Board Act has permitted online submission and e-signatures since 2017, yet nine years later, physical documentation and stamping requirements persist. He called for the establishment of effective third-party verification services modelled on Indian practice, which could validate investor documentation on behalf of the government, substantially reducing administrative friction.

7. Cross-Border Investment, Import Substitution, and Connectivity

Abhiman Bararia articulated the case for import substitution as Nepal's most immediate economic priority, noting that export promotion must be built on a domestic manufacturing foundation. He drew on his experience in the UAE to propose an In-Country Value (ICV) framework, under which companies participating in major government and public-private projects would be scored and incentivised based on domestic content, local employment, and export performance. Such a mechanism would systematically channel investment into import-substitution industries. He also highlighted the importance of identifying Nepal's specific export niches rather than pursuing broad, undifferentiated export targets. Situated between the world's largest manufacturer (China) and one of its fastest-growing economies (India), Nepal must identify what raw materials, intermediate goods, and niche products it can supply competitively to either market.

8. Creating Success Stories: The Case for Confidence-Building

Amlan Mukherjee brought the discussion to a practical inflection point by shifting attention from prospective investors to those already present. He observed that panel discussions on attracting investment rarely address the experience of companies already operating in Nepal, yet it is these companies that constitute Nepal's most credible ambassadors to international business communities. Unilever's global reach — 108 countries, EUR 60 billion in annual turnover — means that a positive narrative from its Nepal operations carries disproportionate weight.

"Nepal has successively missed the industrial revolution, the IT revolution, the digital revolution, and is now at risk of missing the AI and advanced technology transition"

— Abhiman Bararia, Country Director, Asian Paints Nepal

He raised the inverted tax structure as a persistent failure of policy implementation: for four years, he and others have raised with successive ministers and secretaries the anomaly of raw materials attracting equal or higher tariffs than finished imported goods. Each time, the response has been acknowledgement and a promise to correct. The correction has not occurred. He called on the new government to treat such foundational corrections as an immediate priority, emphasising that existing investors' willingness to expand — Unilever's Nepal factory has 30 percent untapped capacity — depends directly on the resolution of such structural distortions.

Bararia echoed this call, noting that Nepal has successively missed the industrial revolution, the IT revolution, the digital revolution, and is now at risk of missing the AI and advanced technology transition. The 100-point government agenda, if implemented with fidelity and speed, represents a credible basis for optimism. The challenge is execution — converting articulated policy commitments into ground-level change at a pace that investor confidence requires.

Key Insights & Recommendations

250+

Overall Participants

40

NICCI Participants

The panel converged on a number of concrete recommendations that, taken together, constitute a practical agenda for bridging Nepal's investment gap:

- Shift from remittance to manufacturing economy: Nepal's structural dependence on remittances and imports must be addressed through a deliberate, long-term policy reorientation toward domestic manufacturing. This requires differentiated treatment of manufacturers in tax, compliance, and credit policy.
- Reform the monetary and provisioning framework: Nepal Rastra Bank's provisioning requirements should be revised to encourage productive lending without compromising systemic stability. The current structure disproportionately discourages banks from extending credit to viable businesses.
- Eliminate the inverted tax structure: Raw materials used in domestic manufacturing attract tariffs equal to or greater than finished imported goods in multiple sectors. This anomaly is widely acknowledged and persistently uncorrected. Immediate rectification is required to improve manufacturing viability.
- Deliver an effective one-window investment system: Online submission, e-signature acceptance, and third-party document verification should be operationalised without further delay. Nepal's legislative framework already permits these; administrative culture must be brought into alignment.

- Develop hedging instruments and payment integration: The introduction of interest rate swaps, cross-currency swaps, and integration of UPI and Nepal NPI will reduce transaction friction and foreign exchange risk, materially improving Nepal's attractiveness to Indian and other foreign capital.
- Pursue MSME-oriented supply chain integration with India: Rather than focusing exclusively on large-scale FDI attraction, Nepal should prioritise regulatory simplification and incentive frameworks that facilitate small and medium enterprise integration into India-Nepal supply chains.
- Adopt an In-Country Value framework: Mandating ICV scoring for companies participating in major public and public-private projects would systematically channel investment into import substitution and domestic content creation.
- Identify and support niche export sectors: Nepal's export strategy should concentrate on products where it has genuine comparative advantage and proximity-based access to Indian and Chinese markets — including Himalayan products, indigenous agricultural commodities, and identified raw material inputs.
- Sustain existing investors and amplify their success: Companies with long-standing operations in Nepal should be prioritised for policy redress. Their positive experience is Nepal's most powerful investment promotion tool.
- Leverage multilateral credit guarantee mechanisms: Nepal should work with IFC, ADB, and the World Bank to establish or expand credit guarantee facilities that de-risk productive-sector lending by commercial banks.

Closing Remarks & Conclusion

Bishal Gaire, Executive Chairperson of Nepal Business Institute (NBI) and a joint organising partner of the Summit, concluded by affirming NBI's commitment to sustaining the dialogue initiated at the panel and ensuring that the recommendations generated translate into structured engagement with policymakers. He acknowledged the progress represented by the new government's 100-point agenda and stressed the importance of timely follow-through.

The "Bridging the Investment Gap" panel at Nepal Business Summit 2026 offered one of the most substantively rigorous examinations of Nepal's investment environment conducted in a public forum this year. It moved beyond surface-level diagnosis to surface specific, actionable reforms — in monetary policy, tariff structure, digital payment infrastructure, regulatory process, and investment facilitation — that could materially alter the conditions for capital deployment.

What emerged most sharply from the discussion was that Nepal does not lack analysis. It does not lack vision, and, as panellists repeatedly noted, it does not lack capital. What it requires is sustained execution: the translation of policy commitments into administrative practice, of legislative change into business reality, and of existing investor goodwill into documented success stories that attract the next wave of capital.

The session's most enduring point was also its most grounded: Nepal's credibility as an investment destination will be built or broken by how it treats the companies that are already here. Unilever, Asian Paints, Nepal SBI Bank, and their counterparts represent not only NPR billions in productive capital but also decades of institutional knowledge and international networks. Their continued confidence in Nepal's trajectory is both a measure of the country's progress and an asset to be actively protected.

Contact Us

Nepal-India Chamber of Commerce and Industry

Ace Apartments, Narayanchaur, Naxal
+977 9851355501
secretariat@nicci.org | www.nicci.org