

## Evaluation of institutional grounding for Russian investments to basic industries of Nepal

*Sh. Mishra, A.M. Zobov, E.A. Fedorenko*

Peoples' Friendship University of Russia,  
6 Miklukho-Maklaya Ul., Moscow 117198, Russia

**Abstract.** This article is developed to understand the Russian investment in Nepal. Since these days due to the western section it is necessary for Russia to expand its economic relations to others continent and Asia is a best part to expand its investment. As there are some countries already tie with Russia in economic connection from South Asia like India, Pakistan but with Nepal and Russia had more on diplomatic relation. Thus it is very good choice to look and increase for economic relation for Russia with Nepal. The author has highlighted institution determinant of Foreign Direct Investments (FDI) to attract investment in Nepal because these days the political stability has become better in Nepal. The author also found the industries to invest in Nepal for Russia however there are some investment existed already by Russia. The author has recommended to the investors to invest in some specific industries without any hesitation as Nepal is facilitation for investment attraction and also its institution condition is becoming better.

**Keywords:** Russia-Nepal relations, investment opportunities, institution, determinants, industrial attractiveness in Nepal, investment relation, promising areas of investment in Nepal

**For citation:** Mishra Sh., Zobov A.M., Fedorenko E.A. Evaluation of institutional grounding for Russian investments to basic industries of Nepal. *Ekonomika v promyshlennosti = Russian Journal of Industrial Economics*. 2019. Vol. 12. No. 4. Pp. 455—465. DOI: 10.17073/2072-1633-2019-4-455-465

## Оценка институциональной обеспеченности Российских инвестиций в базовые отрасли Непала

*Ш. Мишра, А.М. Зобов, Е.А. Федоренко*

*Российский университет дружбы народов, 117198, Москва, ул. Миклухо-Маклая, д. 6*

**Аннотация.** статья посвящена анализу российских инвестиций в Непале. Рассматривается сегодняшняя ситуация и текущие дипломатические отношения и отмечается благоприятное время для поиска и роста экономических отношений на западном участке. Выражено мнение, что России необходимо расширять экономические связи и с другими континентами, а Азия – лучшее место для расширения своих инвестиций. Некоторые страны Южной Азии, такие, как Индия и Пакистан, уже имеют экономические отношения с Россией, тогда как с Непалом отношения пока не налажены в полной мере. Подчеркнут институциональный фактор, определяющий прямые иностранные инвестиции для привлечения инвестиций в Непал, так как в настоящее время политическая стабильность в Непале возросла. Выделены отрасли, в которые выгодно инвестировать, в то время как инвестиции уже начинают поступать в Непал из России. Инвесторам даны рекомендации по инвестированию в конкретные отрасли уже сейчас, поскольку Непал является страной для привлечения инвестиций, а институциональное состояние этой страны улучшается.

**Ключевые слова:** российско-непальские отношения, инвестиционные возможности, организация, определяющие факторы, индустриальная привлекательность в Непале, инвестиционные отношения, перспективные направления инвестиций в Непале

## Introduction

These days Russia's moves towards Asia which is not an option but the country must focus to tie in Asian country. The interest to Asian countries for Russia is to build a quick redistribution of economic, investment flows, trade relations, diplomatic bonds and connections between peoples in favor of countries in Asia.

South Asia is an important region with regard to its geography and the significance of its states in global political issues. Russia has been under crucial sanctions by the West but it has never ended up pursuing the great power status. After the implementation of Western sanctions which affected its financial markets and military industry, the Russian government has focused on boosting ties to new partners in Latin America, East Asia and South Asia. Thus, South Asia plays a crucial role in Russia's upcoming political strategies [1].

The region of South Asia mainly consists of seven states: Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. Russia has adopted several doctrinal documents that devote a great deal of attention to the South Asian countries – primarily Afghanistan, India, Pakistan and started focusing in Nepal. These foundational documents reveal that Russia's relations with the various South Asian countries constitute independent and occasionally interconnected strands of the country's overall foreign policy. In South Asian countries, India makes one of the most promising and important economic partners for the Russian Federation [2]. The Nepal-Russia Friendship Association was established on 20<sup>th</sup> July 1956. [3]. A substantial experience of cooperation between Russia and Nepal in both the Soviet and Russian period, and the opening new areas of cooperation with changes in the geopolitical situation in the world economy. Before, Russia maintained mostly a symbolic diplomatic presence in Nepal but these days they started to tie up on economic relations. Recently, the Nepal Fest Culture and Trade Festival held in Moscow for the first time in 2018 October 5 to 7. The fair held in which 35 manufacturing companies from Nepal they presented and sold their products and it gives outstanding profits for those manufacturing companies, they had brought to Moscow the famous textiles, stones, jewelry, interior items, carpets and tea [4]. It is a very good opportunity for Nepal manufacturing companies as they already introduce their product in Moscow, Russia. It seems that Nepal found its market opportunities in Russia, where

population is about 144 million [5]. As well Russia gets trade and investment opportunities in Nepal for its natural resource and beauty and cheap labor cost. Moreover, Nepal can improve its economic growth by increasing foreign direct investment to the country [6]. In the study of trade and investment cooperation features between Russia and China, the author identifies the most perspective directions of investment and export activity on the domestic Chinese market for Russian companies [7].

The paper explores the promotion of Russian economic possibilities in South Asian country Nepal. The major objective of this study is to analysis the investment climate in Nepal for Russia. The main aim of this paper is to find what would be the attractive industries for Russia to invest in Nepal? The answer to these questions requires a thorough understanding of the investment climate of Nepal, resource based product in Nepal. Accordingly, this paper is divided into four main parts. First, it provides literature review of institutional determinants of FDI, secondly, briefly discuss the investment history from Russia to Nepal. Thirdly, it describes the institutional situation in Nepal. Fourthly, it analyses the attractiveness of Nepalese key industrial sector for investment in Nepal. Finally, conclude with the recommendation to invest on potential industries in Nepal for Russia.

## Literature Review

Naude and Krugell (2007) examine the determinants of FDI inflows in Africa from 1970 to 1990; their results show that geographic distance does not seem to have a direct influence on FDI inflows but that institutional quality, such as rule of law and political stability, are robust determinants of FDI. These findings have policy implications to enhance political stability and good governance via institutions [8]. Mengistu and Adhikary (2011) conclude that a country which can enhance its governance environment in general is likely to attract more foreign direct investment despite offsetting deficiencies in other dimensions of good governance such as voice and accountability and regulatory quality [9]. Tun *et al.* (2012) argue that countries with better institutional quality should be able to attract more investment because it improves productivity prospect, reduces the cost of doing business and uncertainty [10]. Aziz and Mishra (2016) study FDI inflows in Arab countries. Their results show that better institutions and educated labour force may play a key role in attracting FDI

inflows [11]. The study from Aziz (2018) finds that the institutional quality have a positive and significant impact on FDI inflows in Arab economies [12].

#### Investment History from Russia to Nepal

Investment from Russia to Nepal is describe here for 12 years from the fiscal year (FY) 2004/05 to 2015/16. In FY 2004/05 Russia has invested on sector of manufacturing and service in the company of garment industry and oxygen gas of the authorized capital of 22000000 rupees and 2100000 respectively. In FY 2005/06, 2006/07 and 2010/11 the country only invested in service sector authorized capital of 33000000, 6960000 and 45000000 rupees respectively. In FY 2007/08 the country invested in construction and manufacturing by 1150000000 and 13000000 rupees of authorized capital respectively. In FY 2008/09 it has invested only in the sector of tourism by 3800000 rupees authorized capital. In FY 2009/10, Russia has invested in the sector of manufacturing and tourism by 75000000 and 25000000 rupees of authorized capital. In FY 2011/12, the country has invested in service and tourism sector of authorized capital 8900000 and 30000000 rupees. In FY 2012/13 the country has invested in manufacturing and tourism by 12200000 and 50000000 rupees authorized capital respectively. In 2013/14 it has invested only in tourism sector by 315000000 rupees authorized capital. In the FY 2014/15 it has invested in four sector that is agriculture, manufacturing, service and tourism by the authorized capital 50000000, 15000000, 25000000 and 4999800 rupees respectively. But in 2015/16 Russia has

invested in Nepal only in service and tourism by authorized capital of 10000000 and 25000000 rupees respectively [13].

Fig. 1 shows the Russian authorized capital investment in Nepal by sector of the FY 2004/15 to 2015/16 due to lack of recent data of the year 2016/17 and 2017/18 on the government source. In the figure we can see that construction has occupied by large authorized capital followed by tourism, manufacturing, service and agriculture. There was be less FDI inflows in the year 2016/17 because of earthquake of 2015/16 especially in tourism however, other sector had almost same inflows like in 2015/16. In 2016/17 the inflows in Nepal was increased. It is predicted for 2017/18 would be increased by 2 %.

#### The Institutional Situation in Nepal

Nepal is a young democracy and the youngest federal democratic republic. For the last three decades, the country is passing through a protracted political transition from Absolute Monarchy to Constitutional Monarchy with Multiparty Democracy, and further to Federal Democratic Republic. The Constitution of Nepal, promulgated by the second Constituent Assembly in September 2015 guarantees civil rights, sets three layered government structure of the state and guides development road map towards prosperity. As it took almost a decade to complete the constitutional transition process and to come up with new constitution, the provincial and local government level laws and institutions are just in the evolutionary process. The implementation of the federal structure of governance has started with the election of people's representatives

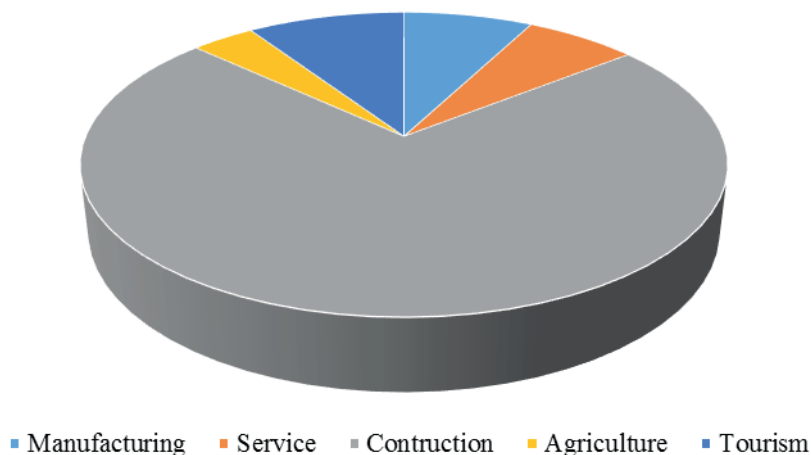


Fig. 1. Russian Authorized Capital Invested in Nepal by Sector – 2004/05 to 2015/16

Data source: Government of Nepal, Ministry of Industry, Department of Industry. URL: <http://www.doind.gov.np/index.php/publications/industry-statistics>

for the Local Governments (Village Council and Municipalities). This will enable to exercise the power and responsibility entrusted by the Constitution to the local governments.

With the political struggle for people's democracy being over, the challenge is now to meet the aspirations of Nepali people to develop and prosper. In this context, the country is striving towards inclusive and high economic growth with social justice and empowers citizens – both economically and socially. While the country's development plans and programs are geared towards this direction, the commitment to implement the 2030 Sustainable Development Agenda and achieve the Sustainable Development Goals (SDGs) in 15 years have reinforced the country's drive to the path of prosperity. The initiatives to formulating long term visions and strategies for development at the government and political levels are indicative of the country's focus towards this direction. The country's economy is by and large private sector led with public sector consumption and investments limited to 12 percent and 23 percent respectively [14]. Recently cooperatives are emerging as key players at the grassroots level and organizing small farmers and small businesses, providing financial services, and serving the poor through organizing and empowering them for the creation of jobs and income. Nepal's liberal political regime also provides congenial environment for Non-Government Organizations (NGOs) and Civil Society Organizations (CSOs) for community mobilization and engaging in income generating activities. User Groups, particularly in natural resource management such as water and forest are also active in mobilizing community and local resources and have been instrumental to empower people [15].

Politics and business are related to each other. The political environment consists of the political conditions and even that affect the business sectors. It creates opportunities as well as threats. The following are some of the issues of political environment in Nepal that have direct or indirect bearing on the growth and development of business in Nepal.

The political forces provide both opportunity and threat to business organization. A stable political system helps in growth, development and expansion of business, where as an unstable political system results to threats and risk to business. Political instability creates policy instability which adversely affects the development of business sectors. Over the last

years, three general and two constituent assembly elections were held and over governments were formed. The political instability has been a major reason of poor law and order conditions in the country.

Political instability is harming Nepal's struggling economy. The country has been riding a wave of political chaos since Maoist rebels launched their war in 1996 – two decades of political instability. Nepal's southern plains bordering India were gripped by violent protests in fall 2016 after the Madhesis, who have strong cultural ties to India, and other ethnic groups objected to the federal districts in the new Constitution, which they say do not adequately represent them. During the time period, there was lack of trade in Nepal from the India boarder. Unfortunately, there is little hope for stable governance in the near future.

Since the end of the civil war in 2006, Nepal is transitioning to a federal democratic republic. In September 2015, the country promulgated a new constitution which stipulates a series of elections held in May 2017. Provincial assembly elections were held in Nepal on 26 November and 7 December 2017 along with the legislative elections. 330 seats in the seven newly created provincial assemblies were elected by first-past-the-post (FPTP) and 220 by Proportional Representation (PR). The election was part of Nepal's transformation to a federal republic [16]. Despite Nepal's short experience of democratic government, there have been significant political achievements in the last decade. Nepal's highly-diverse population is coming to terms with difficult issues such as federalism and form of government, and has forged a strong consensus about the country's identity as a secular, inclusive, and democratic republic.

In Nepal, the level of understanding and trust among the political parties is very low. It has resulted in political as well as policy problems. Building political consensus among the parties is difficult even on national issues. The political parties do not have uniform opinion regarding the development of the country. Coalition culture is very weak. No coalition government has completed their full tenure. It creates political instability in the country, which weaken the democracy. This has adversely affected the business sector in Nepal.

Good governance is about the best possible processes for making and implementing decisions, which is accountable, transparent, follows rules of law, responsive, equitable and inclusive,



participatory, and effective. Poor governance has been a traditional problem in Nepal. According to Amnesty International (2014); Nepal ranks 126th out of 174 countries in world in governance. It was 116th in 2013. It shows the low level of governance in Nepal.

### The Attractiveness of Nepalese Key Industrial Sector for Investment

Nepal encourages foreign investment both as joint venture operations with Nepalese investors or as 100 per cent foreign-owned enterprises. It also allows and encourages foreign investment in all but a few sectors of the economy. The few sectors that are not open to foreign investment are either reserved for national entrepreneurs in order to promote small local enterprises and protect indigenous skills and expertise or are restricted for national security reasons. In Nepal there are some market opportunities for manufacturing sectors those are Readymade Garments, Mineral Exploration and Exploitation, Textile Industry, Electrical and Electronic Industries, Pharmaceutical Industries, Leather Goods Industries, Trekking and Camping Equipment, Jewelry.

Approval of the Government of Nepal is required for foreign investment in all sectors. Foreign investment is not allowed in cottage industries. However, no restriction is placed on transfer of technology in cottage industries [17].

Economic growth of the country (at the basic price) is estimated to remain at 0.77 percent in FY 2015/16. Gross Domestic Product (GDP) recorded a growth of 2.32 percent growth rate in the previous fiscal year. The economic growth rate in FY 2001/02 had recorded 0.16 percent, which once again went below 1 percent in 2015/16 fiscal year for the second time. The economic growth rate shrank owing to negative production rate of mines and quarrying, industry, electricity, gas and water, construction, wholesale and retail trade, hotel and restaurant sectors, and the low growth in agriculture sector that occupies one-third proportion in GDP [18].

The **Table 1** shows economic growth rate recorded above five percent in FY 2007/08 and FY

2013/14, but the rate remained below five percent in other fiscal years. The economic growth rate of the country in past decade averaged 3.8 percent at basic prices. Likewise, the average growth rate of agriculture and non-agriculture sectors stood at 2.9 percent and 4.3 percent in a decade. Similarly, industry and service sectors under the non-agriculture averaged 2.1 percent and 5 percent respectively in a current decade. Despite satisfactory growth attained by services sector in last ten years, growth rate that of agriculture and industrial sectors have not been satisfactory. Agriculture sector is influenced by factors like fragmentation of arable lands, high dependency on weather, and scarcity of improved seeds and fertilizers. Moreover, industrial sector has been affected as industries and entrepreneurship could not be developed due to debilitating investment environment, labor relations problem, persistent energy crisis, political transition.

### GDP Structure

Nepalese economy has witnessed structural changes. **Economy has gradually been shifting from agriculture sector to non-agriculture sector.** Contribution of the agriculture sector to GDP is in declining trend while that of non-agriculture sector is gradually increasing. Services sector under the non-agriculture sector has also been expanding rapidly. The average contribution of agriculture sector to GDP between FY 2001/02 and FY 2005/06 had remained at 35.7 percent while it slipped to 33.9 percent between FY 2006/07 and FY 2010/11 and stood at 33.0 percent between FY 2011/12 and FY 2015/16. During the same period, average contributions of the non-agriculture sector were recorded as 64.3 percent, 66.1 percent and 67.0 percent respectively. Contribution of agriculture sector to GDP is 31.7 percent while that of non-agriculture sector is 68.3 percent in the fiscal year 2015/16 [18].

In the **Figs. 2 and 3**, the industrial division Agriculture and forestry, Fishing, Mining and Quarrying, Manufacturing, Electricity gas and water, Construction, Wholesale and retail trade,

Table 1											
Economic Growth (Percent) FY 2006/07 to 2015/16											
Fiscal Year	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Average
Agriculture	1.0	5.8	3.0	2.0	4.5	4.6	1.1	4.5	0.8	1.3	2.9
Non Agriculture	4.4	5.9	4.3	5.0	3.6	4.5	5.0	6.4	3.1	0.6	4.3
Industry	3.9	1.7	-0.6	4.0	4.3	3.0	2.7	7.1	1.5	-6.3	2.1
Service	4.5	7.3	6.0	5.8	3.4	5.0	5.7	6.2	3.6	2.7	5.0
Economic Growth	2.75	5.8	3.9	4.26	3.85	4.61	3.76	5.72	2.32	0.77	3.8

Source: Central Bureau of Statistics.

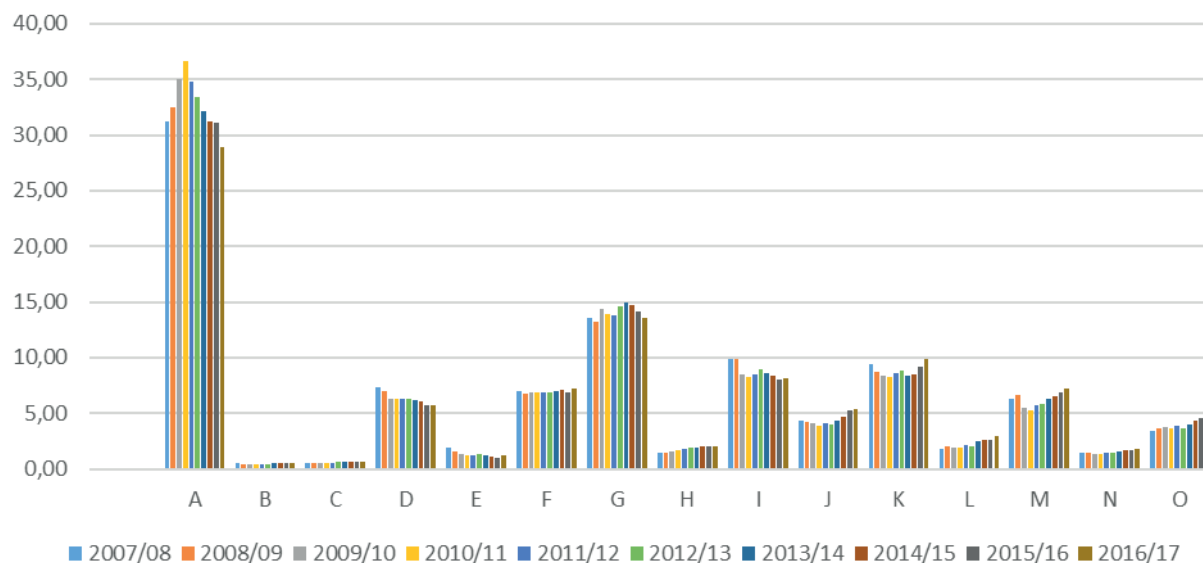


Fig. 2. Composition of GDP by Industrial Division of FY 2007/08 to 2016/17

Source: [http://cbs.gov.np/sectoral\\_statistics/national\\_accounts/naofNepal201617](http://cbs.gov.np/sectoral_statistics/national_accounts/naofNepal201617)

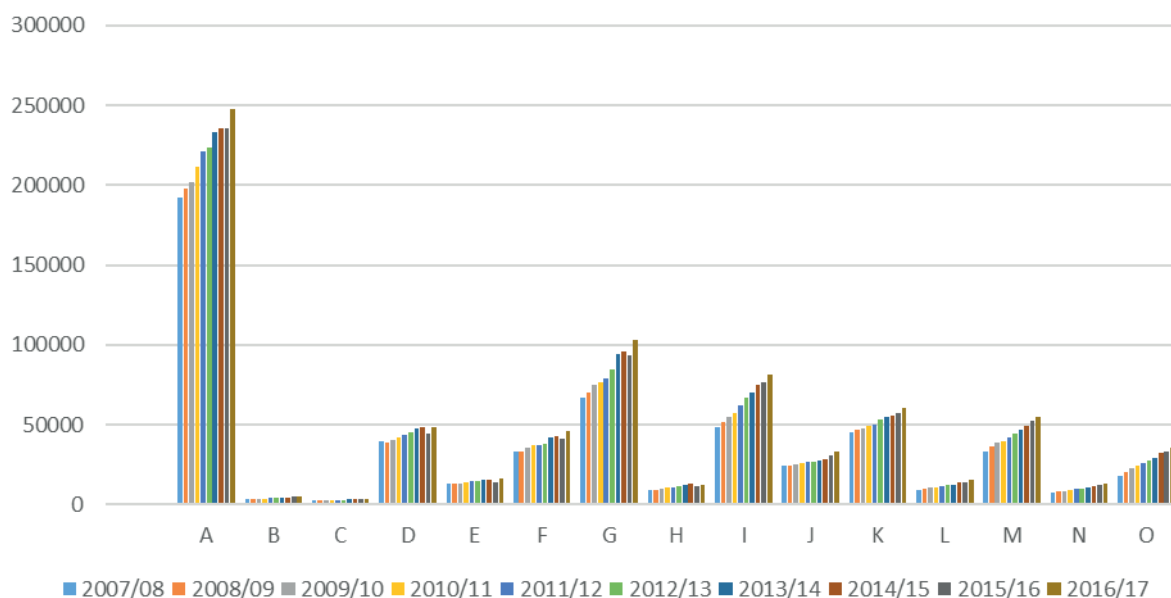


Fig. 3. Gross Value Added by Industrial Division

Source: [http://cbs.gov.np/sectoral\\_statistics/national\\_accounts/naofNepal201617](http://cbs.gov.np/sectoral_statistics/national_accounts/naofNepal201617)

Hotels and restaurants, Transport, storage and communications, Financial intermediation, Real estate, renting and business activities, Public Administration and defense, Education, Health and social work, Other community, social and personal service activities are denoted by alphabet A, B, C, D, E, F, G, H, I, J, K, L, M, N, O respectively. The data is collected of last 10 years from the Fiscal Year (FY) 2007/08 to FY 2016/17. The FY 2016/17 is of first nine months,

it is preliminary and the FY 2015/16 is revised. The fig. 2 demonstrates composition of GDP by industrial division in percent and the figure 3 shows Gross Value Added by industrial division in millions of Rupees (Rs.).

**Agriculture and forestry (A)** – Agriculture and forestry has highest composition of GDP, gradually growing from the year 2007/08 to 2010/11 and similarly decrease from the year 2011/12 to 2016/17. In the year 2016/17, it has

28.89% and the highest is 36.68 % in the year 2010/11. This is shown in the Fig. 1. In the same way the gross value added of this industry is also in the top position in the comparison of other industries. This is growing each year. It is 247691 million rupees in the current year 2016/17 and 192514 million rupees in the year 2007/08. This is shown in the Fig. 1.

**Fishing (B)** – Fishing has the lowest composition of GDP, there was decreased in the same ratio in the year 2008/09 from 2007/08 and 2009/10 from 2008/09 and remain same in 2010/11 as in 2009/10 after that it grows gradually till 2013/14 and remain same in 2014/15 from 2013/14 again increase in 2015/16 but decrease in 2016/17. Gross value added of fishing has positive growth rate. It reached to 4875 million rupees in 2016/17 from 3045 million rupees in the year 2008/09.

**Mining and Quarrying (C)** – Mining and quarrying has the second lowest composition of GDP, there was decreased in the year 2008/09 from 2007/08, 2009/10 from 2008/09 and 2015/16 from 2014/15 remain same in the year 2012/13, 2013/14 and 2014/15 and rest of the year it has positive growth rate. Gross value added of Mining and quarrying has all time positive growth rate except in the year 2016/17 in the last decade. It reached 3143 million rupees in 2016/17 from 2513 million rupees. It reached to 3401 million rupees in 2016/17 from 2513 million rupees in the year 2007/08.

**Manufacturing (D)** – Manufacturing has the moderate composition of GDP, there is only positive growth rate in the year 2011/12 from 2010/11 and remains same in the year from 2011/12 to 2012/13, rest of the year it has negative growth rate. Gross value added of manufacturing is decreased in the year 2008/09 from the year 2007/08 and 2014/15 from 2015/16, rest of the year has positive growth rate. It reached to 48510 million rupees in 2016/17 from 39545 million rupees in the year 2007/08.

**Electricity gas and water (E)** – Electricity gas and water has positive growth rate only in the year 2012/13 and 2016/17, rest of the year from 2007/08 to 2016/17 has negative growth rate by composition of GDP. Gross value added of electricity gas and water is decreased in the year 2008/09 from the year 2007/08 and 2014/15 from 2015/16, rest of the year has positive growth rate. It reached to 16037 million rupees in 2016/17 from 13204 million rupees in the year 2007/08.

**Construction (F)** – Construction has negative growth rate in the year 2008/09, 2011/12

and 2015/16 from 2007/08, 2011/12 and 2014/15 respectively. In the year 2010/11 and 2013/14 remain same as 2009/10 and 2012/13 respectively, rest of the year from 2007/08 to 2016/17 has positive growth rate by composition of GDP. Gross value added of construction has all year positive growth rate from 2007/08 to 2016/17 except in the year 2015/16. It reached to 45672 million rupees in 2016/17 from 33043 million rupees in the year 2007/08.

**Wholesale and retail trade (G)** – Wholesale and retail trade has negative growth rate in the year 2008/09, 2010/11, 2011/12, 2014/15 and 2016/17 from the year 2007/08, 2009/10, 2010/11, 2013/14 and 2015/16 respectively and rest of the year from 2007/08 to 2016/17 has positive growth rate by composition of GDP. Gross value added of wholesale and retail trade has all year positive growth rate from 2007/08 to 2016/17 except in the year 2015/16. It reached to 102898 million rupees in 2016/17 from 66962 million rupees in the year 2007/08.

**Hotels and restaurants (H)** – Composition of GDP of Hotels and restaurants has all year positive annual growth rate from the year 2007/08 to 2016/17 except the year 2015/16 and 2016/17. Gross value added of hotels and restaurants has all year positive growth rate from 2007/08 to 2016/17 except in the year 2015/16. It reached to 12383 million rupees in 2016/17 from 8851 million rupees in the year 2007/08.

**Transport, storage and communications (I)** – Transport, storage and communications has negative growth rate in the year 2009/10, 2010/11, 2013/14, 2014/15 and 2015/16 from the year 2008/09, 2009/10, 2012/13, 2013/14 and 2014/15 respectively. In the year 2008/09 and 2016/17 remain same as 2007/08 and 2015/16 respectively, and rest of the year from 2007/08 to 2016/17 has positive growth rate by composition of GDP. Gross value added of transport, storage and communications has all year positive growth rate from 2007/08 to 2016/17. It reached to 81273 million rupees in 2016/17 from 48226 million rupees in the year 2007/08.

**Financial intermediation, renting and business activities (J)** – Financial intermediation has negative growth rate in the year 2008/09, 2009/10, 2010/11 and 2012/13 from the year 2007/08, 2008/09, 2009/10 and 2011/12 respectively and rest of the year from 2007/08 to 2016/17 has positive growth rate by composition of GDP. Gross value added of financial intermediation, renting and business activities has all year positive growth rate from 2007/08 to

Table 2

Industrial Average Growth Rate of Last 10 years (FY 2007/08 to 2016/17)		
Industrial Classification	Composition of GDP	Gross Value Added
	AGR of 10 years	AGR of 10 years
Agriculture and forestry	-0.75	2.87
Fishing	-0.24	7.11
Mining and quarrying	1.19	3.53
Manufacturing	-2.28	2.27
Electricity gas and water	-4.03	2.15
Construction	0.34	3.82
Wholesale and retail trade	0.01	5.37
Hotels and restaurants	3.42	3.99
Transport, storage and communications	-1.77	6.85
Financial intermediation	2.55	3.74
Real estate, renting and business activities	0.48	3.26
Public administration and defense	6.3	6.3
Education	1.57	6.71
Health and social work	2.39	7.17
Other community, social and personal service activities	4.98	9.49

Source: Composed by author from Figs. 2 and 3.

2016/17 except in the year 2012/13. It reached to 33162 million rupees in 2016/17 from 24142 million rupees in the year 2007/08.

**Real estate, renting and business activities (K)** – Real estate, renting and business has negative growth rate in the year 2008/09, 2009/10, 2010/11 and 2013/14 from the year 2007/08, 2008/09, 2009/10 and 2012/13 respectively and rest of the year from 2007/08 to 2016/17 has positive growth rate by composition of GDP. Gross value added of real estate has all year positive growth rate from 2007/08 to 2016/17. It reached to 60399 million rupees in 2016/17 from 45544 million rupees in the year 2007/08.

**Public Administration and defense (L)** – Public administration and defense has negative growth rate in the year 2009/10, 2010/11, 2012/13 and 2015/16 from the year 2008/09, 2009/10, 2011/12 and 2014/15 respectively and rest of the year from 2007/08 to 2016/17 has positive growth rate by composition of GDP. Gross value added of public administration and defense has all year positive growth rate from 2007/08 to 2016/17. It reached to 15193 million rupees in 2016/17 from 9319 million rupees in the year 2007/08.

**Education (M)** – Composition of GDP of Education has all year positive annual growth rate from the year 2007/08 to 2016/17 except the year 2009/10 and 2010/11. Gross value added of public administration and defense has all year positive growth rate from 2007/08 to 2016/17. It reached to 54682 million rupees in 2016/17 from 32716 million rupees in the year 2007/08.

**Health and social work (N)** – Health and social work has negative growth rate in the

year 2009/10, 2010/11, 2012/13 and 2015/16 from the year 2008/09, 2009/10, 2011/12 and 2014/15 respectively and rest of the year from 2007/08 to 2016/17 has positive growth rate by composition of GDP. Gross value added of public administration and defense has all year positive growth rate from 2007/08 to 2016/17. It reached to 12833 million rupees in 2016/17 from 7474 million rupees in the year 2007/08.

**Other community, social and personal service activities (O)** – Other community, social and personal service has all year positive annual growth rate from the year 2007/08 to 2016/17 except the year 2010/11 and 2012/13. Gross value added of public administration and defense has all year positive growth rate from 2007/08 to 2016/17. It reached to 35473 million rupees in 2016/17 from 18204 million rupees in the year 2007/08.

The Fig. 4 is based on Table 2. In the figure X-axis has average industries gross value added of last 10 years, Y-axis has industries average composition of GDP of last 10 years. The industries name in color green are most attractive industries for investment, those are health and social work, education, public administration and defense, financial intermediation, hotel and restaurants and other community, social and personal service activities, in color pink are moderate attractive industries those are fishing, construction, mining and quarrying, real estate renting and business activities, transport, storage and communications, agriculture and forestry and in color yellow are less attractive industries for investment those are manufacturing and electricity gas and water.



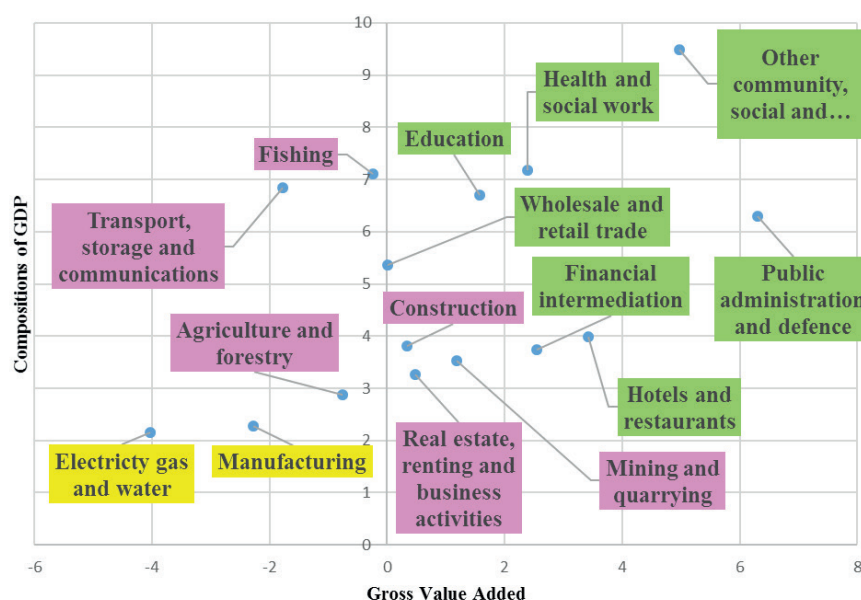


Fig. 4. Matrix of Industrial Attractiveness, based on Table 2

Source: Composed by author.

### Conclusion

Since from the above finding, it could be suggest to Russian investment that it would be better for the investor to invest in health, education, public administration and defence, financial intermediation, hotel and restaurants are in the very top list for investment in Nepal. Although, the above finding shows that electricity gas and water is least attractive industry for investment but author emphasize that it is basic needs for the nation and it is one of most necessary area for investment as Nepali are suffering from electricity in spite of the country has high capacity water resource to generate hydropower. The country can benefit from this investment in short and long term as well the investors because electricity requirement is there not only to the nation but also neighbor countries. Moreover, Russian investors could try more on construction, transport and agriculture as well. Those are necessary parts to invest in Nepal and the investors have greater chance to get benefits from those investment due its better institution in comparison to before new constitution. The rule and regulation of Nepal is going better and the country try to increase more investment so it provides facilities for investors to attract them for increasing economic growth of Nepal.

### References

1. Russian strategic interests in South Asia. Available at: <http://scholarresearch.org/wp-content/uploads/2016/02/Russian->

[strategic-interests-in-South-Asia.pdf](http://scholarresearch.org/wp-content/uploads/2016/02/Russian-strategic-interests-in-South-Asia.pdf) (accessed: 10.10.2018).

2. Chernikov C.Yu., Konovalova Yu.A. Russia–India High Technology Cooperation. *Russian Journal of Industrial Economics*. 2016. No. 2. Pp. 99–107. (In Russ.). DOI: 10.17073/2072-1633-2016-2-99-107

3. Government of Nepal – Ministry of Foreign Affairs. Available at: <https://mofa.gov.np/foreign-policy/diplomatic-relations/> (accessed: 10.10.2018).

4. According to recent President of NRNA Russia, Rameshwar Gautam (accessed: 10.10.2018)

5. The World Bank. Available at: <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=RU> (accessed: 10.09.2018).

6. Mishra Sh., Degtereva E.A., Paneru Kh. Role of Foreign Direct Investment by Multinational Companies in Economic Growth of Nepal. *Journal of Economics and Development Studies*. 2017. Vol. 5. No. 1. Pp. 91–101. DOI: 10.15640/jeds.v5n1a9

7. Chernikov S.Yu. Trade and investment cooperation features between Russia and China. *Vestnik Universiteta*. 2016. No. 3. Pp. 114–118. (In Russ.)

8. Naudé W.A., Krugell W.F. Investigating geography and institutions as determinants of foreign direct investment in Africa using panel data. *Applied Economics*. 2007. Vol. 39. No. 10. Pp. 1223–1233.

9. Mengistu A.A., Bishnu K.A. Does good governance matter for FDI inflows? Evidence

from Asian economies. *Asia Pacific Business Review*. 2011. Vol. 17. No. 3. Pp. 281–299.

10. Tun Y.-L., Azman-saini W.N.W., Law S.-H. International evidence on the link between foreign direct investment and institutional quality. *Engineering Economics*. 2012. Vol. 23. No. 4. Pp. 379–386. DOI: 10.5755/j01.ee.23.4.2569

11. Aziz O.G., Mishra A.V. Determinants of FDI inflows to Arab economies. *The Journal of International Trade & Economic Development*. 2016. Vol. 25. No. 3. Pp. 325–356. DOI: 10.1080/09638199.2015.1057610

12. Aziz O.G. Institutional quality and FDI inflows in Arab economies. *Finance Research Letters*. 2017. Vol. 25. Pp. 111–123. DOI: 10.1016/j.frl.2017.10.026

13. Government of Nepal, Ministry of Industry, Department of Industry. Available at: <http://www.doind.gov.np/index.php/publications/industry-statistics> (accessed: 10.10.2018).

14. MoF. Economic Survey 2016/17, Ministry of Finance, Government of Nepal, Kathmandu, Nepal. Available at: <https://ru.scribd.com/document/371248667/Economic-Survey-English-2016-17> (accessed: 10.10.2018).

15. National Planning Commission, 2017: Nepal's Sustainable Development Goals. Baseline Report, 2017. Government of Nepal, National Planning Commission, Kathmandu, Nepal. Available at: [https://www.npc.gov.np/images/category/SDGs\\_Baseline\\_Report\\_final\\_29\\_June-1\(1\).pdf](https://www.npc.gov.np/images/category/SDGs_Baseline_Report_final_29_June-1(1).pdf) (accessed: 10.10.2018).

16. ALJAZEERA. Nepal elections explained. Available at: <https://www.aljazeera.com/indepth/interactive/2017/11/nepal-elections-2017-explained-171126103009857.html> (accessed: 10.10.2018).

17. Government of Nepal Ministry of Industry, Foreign Investment Opportunities, 2009. Available at: <https://ru.scribd.com/document/54505782/Foreign-Investment-Opportunities-in-Nepal-2009> (accessed: 10.10.2018).

18. Central Bureau of Statistics, Government of Nepal.

#### Библиографический список

1. Russian strategic interests in South Asia. URL: <http://scholarresearch.org/wp-content/uploads/2016/02/Russian-strategic-interests-in-South-Asia.pdf> (дата обращения: 10.10.2018).

2. Черников С.Ю., Коновалова Ю.А. Российско-индийское сотрудничество в высо-

котехнологичных отраслях промышленности // Экономика в промышленности. 2016. № 2. С. 99–107. DOI: 10.17073/2072-1633-2016-2-99-107

3. Government of Nepal – Ministry of Foreign Affairs. URL: <https://mofa.gov.np/foreign-policy/diplomatic-relations/> (дата обращения: 10.10.2018).

4. According to recent President of NRNA Russia, Rameshwor Gautam.

5. The World Bank. URL: <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=RU> (дата обращения: 10.10.2018).

6. Mishra S., Degtereva, E.A., Paneru K. Role of Foreign Direct Investment by Multinational Companies in Economic Growth of Nepal // Journal of Economics and Development Studies. 2017. V. 5. N 1. P. 91–101. DOI: 10.15640/jeds.v5n1a9

7. Черников С.Ю. Особенности торгово-инвестиционного взаимодействия России с Китаем // Вестник университета. 2016. № 3. С. 114–118.

8. Naudé W.A., Krugell W.F. Investigating geography and institutions as determinants of foreign direct investment in Africa using panel data // Applied Economic. 2007. V. 39. N 10. P. 1223–1233.

9. Mengistu A. A., Adhikary B.K. Does good governance matter for FDI inflows? Evidence from Asian economies // Asia Pacific business review. 2011. V. 17. N 3. P. 281–299.

10. Tun Y.-L., Azman-saini W.N.W., Law S.-H. International evidence on the link between foreign direct investment and institutional quality // Engineering Economics. 2012. V. 23. N 4. P. 379–386. DOI: 10.5755/j01.ee.23.4.2569

11. Aziz O.G., Mishra A.V. Determinants of FDI inflows to Arab economies // The Journal of International Trade & Economic Development. 2016. V. 25. N 3. P. 325–356. DOI: 10.1080/09638199.2015.1057610

12. Aziz O.G. Institutional quality and FDI inflows in Arab economies // Finance Research Letters. 2017. V. 25. P. 111–123. DOI: 10.1016/j.frl.2017.10.026

13. Government of Nepal. Ministry of Industry. Department of Industry URL: <http://www.doind.gov.np/index.php/publications/industry-statistics> (дата обращения: 10.10.2018).

14. MoF. Economic Survey 2016/17. Ministry of Finance, Government of Nepal, Kathmandu, Nepal. URL: <https://ru.scribd.com/document/371248667/Economic-Survey-English-2016-17>

com/document/371248667/Economic-Survey-English-2016-17 (дата обращения: 10.10.2018).

15. National Planning Commission. 2017: Nepal's Sustainable Development Goals, Baseline Report, 2017. Government of Nepal, National Planning Commission, Kathmandu, Nepal. URL: [https://www.npc.gov.np/images/category/SDGs\\_Baseline\\_Report\\_final\\_29\\_June-1\(1\).pdf](https://www.npc.gov.np/images/category/SDGs_Baseline_Report_final_29_June-1(1).pdf) (дата обращения: 10.10.2018).

16. ALJAZEERA. Nepal elections explained. URL: <https://www.aljazeera.com/indepth/>

interactive/2017/11/nepal-elections-2017-explained-171126103009857.html (дата обращения: 02.04.2018).

17. Government of Nepal Ministry of Industry, Foreign Investment Opportunities. 2009. URL: <https://ru.scribd.com/document/54505782/Foreign-Investment-Opportunities-in-Nepal-2009> (дата обращения: 02.04.2018).

18. Central Bureau of Statistics. Government of Nepal.

---

#### Информация об авторах / Information about the authors

**Shila Mishra** – Postgraduate Student, shila.mishra11@gmail.com, RUDN University, 6 St. Miklouho-Maclay, Moscow 117198, Russia

**A.M. Zobov** – PhD, Professor, RUDN University, 6 St. Miklouho-Maclay, Moscow 117198, Russia

**E.A. Fedorenko** – Senior Teacher, RUDN University, 6 St. Miklouho-Maclay, Moscow 117198, Russia

**Шила Мишра** – аспирант, shila.mishra11@gmail.com, Российский университет дружбы народов, 117198, Москва, ул. Миклухо-Маклая, д. 6.

**А.М. Зобов** – канд. экон. наук, профессор, Российский университет дружбы народов, 117198, Москва, ул. Миклухо-Маклая, д. 6.

**Е.А. Федоренко** – старший преподаватель, Российский университет дружбы народов, 117198, Москва, ул. Миклухо-Маклая, д. 6.

*Поступила в редакцию 17.05.2019 г.; после доработки 28.10.2019 г.; принята к публикации 01.12.2019 г.*