GROWTH AND TREND ANALYSIS OF NEPAL'S FOREIGN TRADE

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A Project Report Submitted to Pokhara University in a partial fulfillment of the requirements for the degree of

Bachelor of Business Administration (BBA)

At the
Nepal Tourism and Hotel Management College (NTHMC)
Faculty of Management
Pokhara, Nepal

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DECLARATION

I hereby declare that this report entitled "Growth and Trend Analysis of Nepal's Foreign Trade" submitted to the Faculty of Management, Nepal Tourism and Hotel Management College (NTHMC), Pokhara University, is my own original work prepared under the guidance and supervision of Prakash Regmi.

This report has been prepared for the partial fulfillment of the requirements for the degree of Bachelor of Business Administration (BBA). This report has not been submitted to any other university or institution for the award of any degree, diploma, or fellowship.

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August, 2026

ACKNOWLEDGEMENT

This report on "Growth and Trend Analysis of Nepal’s Foreign Trade" has been prepared as a partial requirement for the Bachelor of Business Administration (BBA) program. I would like to express my sincere gratitude to everyone who supported me throughout this study.

I am deeply grateful to my supervisor, [Supervisor's Name], for the valuable guidance, constructive feedback, and continuous encouragement provided throughout the preparation of this report. I would also like to thank the Faculty of Management, Nepal Tourism and Hotel Management College (NTHMC), for providing the opportunity and resources to conduct this study.

My sincere thanks go to all the respondents — exporters, importers, and trade-related business owners — who spared their valuable time to fill out the survey questionnaire, without whom this study would not have been possible. Finally, I extend my heartfelt appreciation to my family and friends for their continuous support and motivation.

Thankfully,

Bibek Rana

Nepal Tourism and Hotel Management College (NTHMC)

EXECUTIVE SUMMARY

Foreign trade is central to Nepal's economic performance, and its growth and trend are shaped not only by aggregate trade volumes but by the ground-level conditions facing the businesses that actually export and import. This study examines the growth and trend of Nepal's foreign trade through the perspective of traders, exporters, and importers, and identifies the factors that influence trade performance, namely trade policy and regulations, exchange rate, infrastructure and logistics, trade barriers, and market competitiveness.

The primary objective of this study is to assess trade-community perceptions of the growth and trend of Nepal's foreign trade, and to examine the influence of the five factors above on that growth. The study adopts a descriptive and quantitative research design. Primary data were collected through a structured questionnaire distributed to 110 respondents engaged in export, import, or trade-related business, using a convenience sampling technique. Data were analyzed using descriptive statistics (frequency, percentage, mean, and standard deviation) and correlation analysis.

The findings indicate that Infrastructure and Logistics and Trade Policy and Regulations show the strongest positive association with perceived trade growth, while Exchange Rate volatility and Trade Barriers show a negative association. Market Competitiveness shows a moderate positive relationship. Customs delay and documentation complexity emerged as the most widely reported challenge. The report concludes with recommendations for policymakers, trade facilitation bodies, and financial institutions.

TABLE OF CONTENTS

LIST OF FIGURE

LIST OF TABLE

CHAPTER I

INTRODUCTION

1. Background of the Study

Foreign trade is a key driver of Nepal's economic growth, foreign exchange earnings, and integration with the global economy. While aggregate trade statistics published by Nepal Rastra Bank and the Department of Customs describe the overall volume and direction of trade, the actual growth and trend of foreign trade are shaped at the ground level by the businesses that export and import goods — and by the trade policy environment, exchange rate movements, logistics infrastructure, trade barriers, and market competitiveness they operate within.

This study examines the growth and trend of Nepal's foreign trade from the perspective of the trading community itself — exporters, importers, and trade-related businesses — to understand which factors they perceive as helping or hindering trade growth, and what challenges they face in practice.

This study attempts to explore the extent to which trade policy and regulations, exchange rate, infrastructure and logistics, trade barriers, and market competitiveness influence the growth and trend of foreign trade as experienced by businesses engaged in it.

1.1. Statement of the Problem

Despite Nepal's trade liberalization policies and membership in regional and global trade frameworks, the country's export sector continues to underperform relative to imports, and businesses engaged in foreign trade routinely report operational difficulties. There remains a gap in understanding, from the trading community's own perspective, which specific factors most strongly help or hinder the growth of foreign trade.

This study seeks to address the following research questions:

What is the current perception of the growth and trend of Nepal's foreign trade among businesses engaged in it?

What factors (trade policy and regulations, exchange rate, infrastructure and logistics, trade barriers, and market competitiveness) influence the growth and trend of foreign trade?

What are the major challenges faced by traders, exporters, and importers in conducting foreign trade?

What is the relationship between the identified factors and the perceived growth of foreign trade?

1.2. Objectives of the Study

The general objective of this study is to examine the growth and trend of Nepal's foreign trade as perceived by businesses engaged in export and import activity. The specific objectives are:

To assess the perceived level of growth and trend of Nepal's foreign trade among trade-community respondents.

To examine the influence of trade policy and regulations, exchange rate, infrastructure and logistics, trade barriers, and market competitiveness on the growth and trend of foreign trade.

To identify the major challenges faced by exporters, importers, and trade-related businesses.

To provide suggestions and recommendations to support the growth of Nepal's foreign trade.

1.3. Significance of the Study

This study holds significance for multiple stakeholders. For policymakers and regulatory bodies such as the Ministry of Industry, Commerce and Supplies and Nepal Rastra Bank, the findings can support trade policy formulation and reform prioritization. For exporters, importers, and trade associations, the study offers a benchmark of shared concerns and challenges within the trading community. For academicians and future researchers, this study contributes to the literature on Nepal's foreign trade and can serve as a reference for further research.

1.4. Limitations of the Study

The sample size of 110 respondents, selected through convenience sampling, may not fully represent the entire population of businesses engaged in Nepal's foreign trade.

The study relies on self-reported perceptions collected through a structured questionnaire, which may be subject to respondent bias.

CHAPTER II

LITERATURE REVIEW

2.1. Conceptual Review

2.1.1. Foreign Trade

Foreign trade refers to the exchange of goods and services across national borders, comprising exports and imports. Its growth and trend are commonly assessed through trade volume, trade balance, and the direction and composition of trade, but are equally shaped by the regulatory, financial, and infrastructural environment in which trading businesses operate.

2.1.2. Determinants of Trade Growth

Trade and business literature identifies several recurring determinants of trade performance at the firm and country level: the clarity and stability of trade policy and customs regulation; exchange rate stability, which affects the cost competitiveness and predictability of cross-border transactions; the quality of transport, port, and logistics infrastructure; non-tariff and procedural trade barriers; and the competitiveness of domestic products and services in international markets. This study draws on these determinants to structure its analysis of Nepal's foreign trade growth.

2.1.3. Key Variables of the Study

Based on the review of theoretical and empirical literature, the following variables have been considered for this study:

Trade Policy and Regulations (TPR): The extent to which respondents perceive Nepal's trade policy, customs procedures, and regulatory framework as supportive of trade growth.

Exchange Rate (ER): The extent to which exchange rate stability or volatility affects trade planning and profitability.

Infrastructure and Logistics (IL): The extent to which transport, port, and logistics infrastructure facilitate or hinder trade operations.

Trade Barriers (TB): The extent to which tariff and non-tariff barriers restrict trade activity.

Market Competitiveness (MC): The extent to which respondents perceive Nepali goods and services as competitive in international markets.

Growth and Trend of Foreign Trade (DV): Respondents' overall perception of the direction and pace of growth of Nepal's foreign trade.

2.2. Review of Related Studies

Nepal Rastra Bank's periodic macroeconomic reports have consistently linked Nepal's trade performance to structural factors including a narrow export base, import dependence on fuel and consumer goods, and vulnerability to exchange rate movements given Nepal's pegged currency arrangement with India.

Reports from the Ministry of Finance and trade facilitation bodies have highlighted procedural and infrastructural constraints — customs clearance delays, documentation requirements, and inadequate transport and warehousing infrastructure — as recurring concerns raised by the trading community.

Commentary from the Trade and Export Promotion Centre (TEPC) and industry associations has similarly pointed to trade barriers and limited product competitiveness as constraints on export growth, alongside calls for policy reform and infrastructure investment to support the trading sector.

2.3. Research Gap

While government publications report aggregate trade statistics, there is comparatively limited academic literature that captures the perception of the trading community itself regarding which specific factors most influence trade growth. This study attempts to address that gap through a structured survey of businesses directly engaged in foreign trade.

2.4. Conceptual Framework

The conceptual framework below illustrates the hypothesized relationship between the five independent variables and the dependent variable, growth and trend of foreign trade.

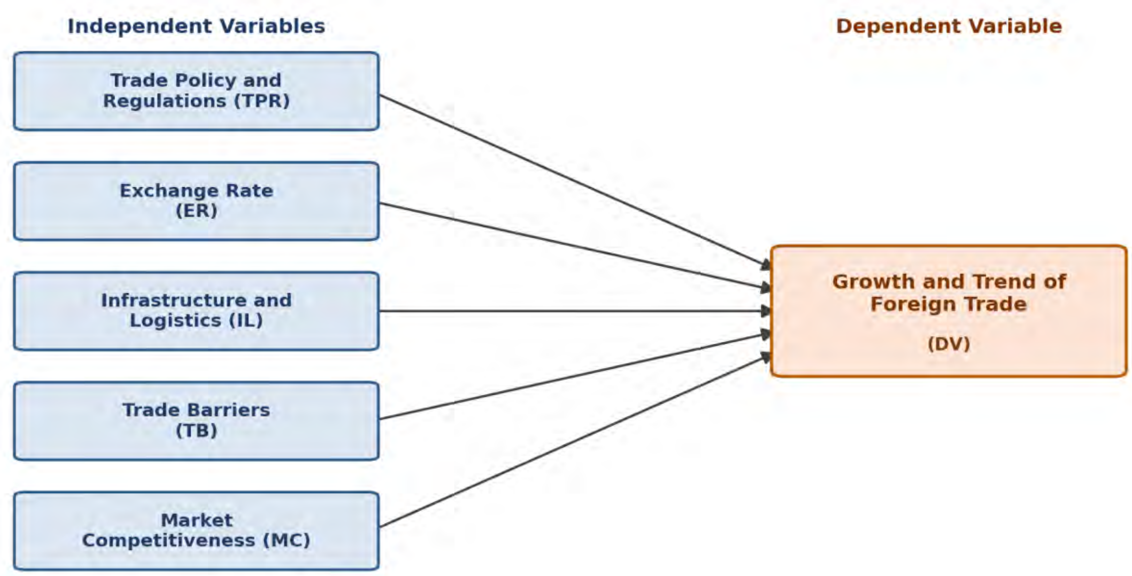

Figure 1:Conceptual Framework of the Study

CHAPTER III

RESEARCH METHODOLOGY

3.1. Research Design

This study adopts a descriptive and quantitative research design, based on primary data collected through a structured questionnaire administered to respondents engaged in Nepal's foreign trade sector.

3.2. Population and Sample

The population comprises businesses and individuals engaged in export, import, or trade-related services in Nepal. A sample of 110 respondents was targeted for this study.

3.3. Sampling Technique

A convenience sampling technique was used to select respondents accessible to the researcher within the study period, given resource and time constraints typical of an undergraduate research project.

3.4. Sources and Nature of Data

This study relies on primary data, collected directly from respondents through a structured questionnaire distributed via Google Forms.

3.5. Data Collection Tools and Technique

Data was collected using a structured questionnaire comprising four sections: (A) demographic and business profile information, (B) awareness and engagement in foreign trade, (C) Likert-scale statements measuring the five independent variables and the dependent variable, and (D) open and closed questions on challenges faced. The full questionnaire is presented in the Appendix.

3.6. Data Processing and Analysis Tools

Responses were compiled and analyzed using descriptive statistics (frequency, percentage, mean, and standard deviation) and correlation analysis, computed with the help of MS Excel/SPSS.

3.7. Variables of the Study

Variable	Description	Type
Trade Policy & Regulations (TPR)	Perceived supportiveness of trade policy and customs regulation	Independent
Exchange Rate (ER)	Perceived effect of exchange rate stability/volatility on trade	Independent
Infrastructure & Logistics (IL)	Perceived adequacy of transport, port, and logistics infrastructure	Independent
Trade Barriers (TB)	Perceived restrictiveness of tariff and non-tariff barriers	Independent
Market Competitiveness (MC)	Perceived competitiveness of Nepali goods/services internationally	Independent
Growth & Trend of Foreign Trade (DV)	Overall perception of the direction and pace of trade growth	Dependent

Table 1: Variable of the study

CHAPTER IV

PRESENTATION AND ANALYSIS OF DATA

4.1. Demographic and Business Profile of Respondents

4.1.1. Gender of Respondents

Gender	No. of Respondents	Percentage
Male	62	56.4%
Female	48	43.6%

Table 2: Gender-wise Distribution of Respondents

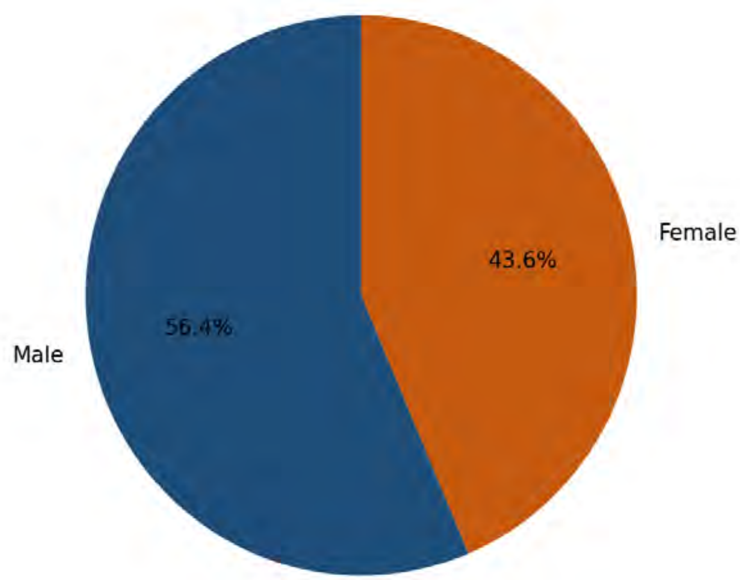

Figure 2:: Pie-chart of Gender-wise Distribution of Respondents

4.1.2. Age Group of Respondents

Age Group	No. of Respondents	Percentage
18–25	18	16.4%
26–35	42	38.2%
36–45	33	30.0%

Age Group	No. of Respondents	Percentage
46 & above	17	15.5%

Table 2:Age-wise Distribution of Respondents

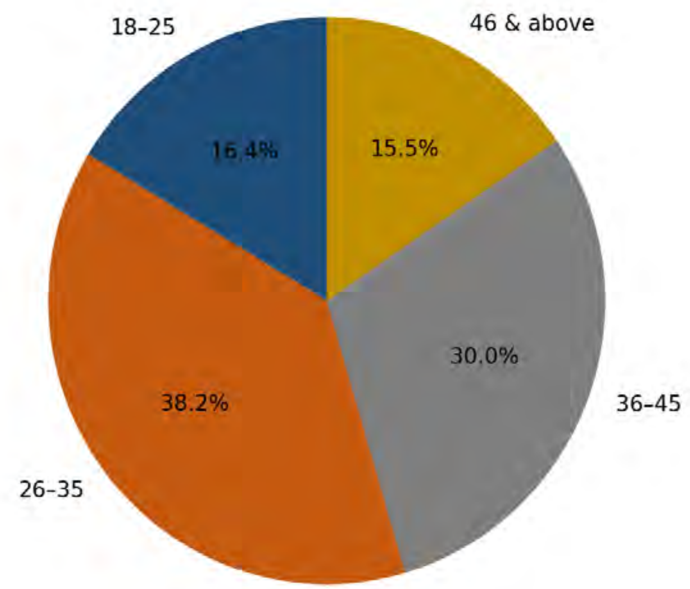

Figure 3:Pie-chart of Age-wise Distribution of Respondents

4.1.3. Educational Qualification

Qualification	No. of Respondents	Percentage
Up to Secondary	14	12.7%
Bachelor's	51	46.4%
Master's & above	39	35.5%
Others	6	5.5%

Table 3:Educational Qualification of Respondents

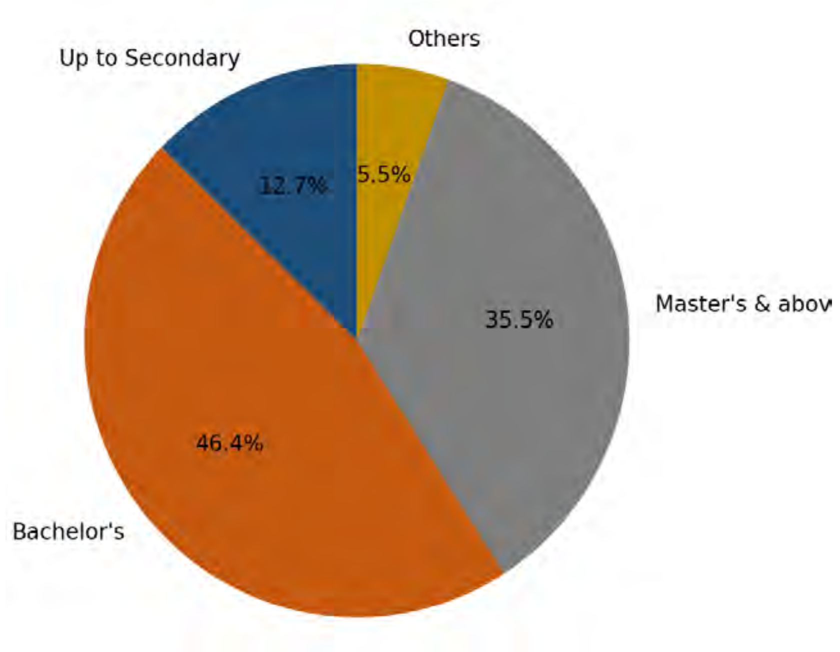

Figure 4:Pie-chart of Educational Qualification of Respondents

4.1.4. Type of Business / Trade Engagement

Business Type	No. of Respondents	Percentage
Exporter	28	25.5%
Importer	46	41.8%
Both Exporter & Importer	24	21.8%
Trade-related Service Provider	12	10.9%

Table 4:Business-type Distribution of Respondents

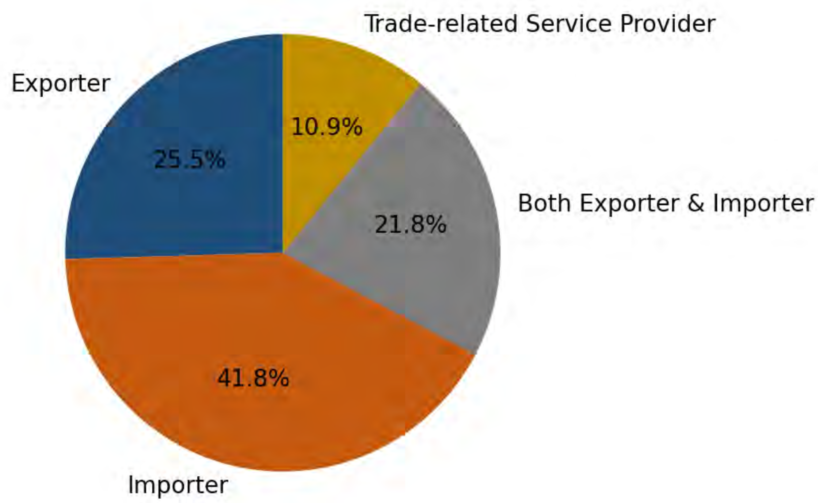

Figure 5:Pie-chart of Business-type Distribution of Respondents

4.1.5. Years of Experience in Foreign Trade

Years of Experience	No. of Respondents	Percentage
Less than 2 years	21	19.1%
2–5 years	38	34.5%
6–10 years	33	30.0%
More than 10 years	18	16.4%

Table 5:Experience-wise Distribution of Respondents

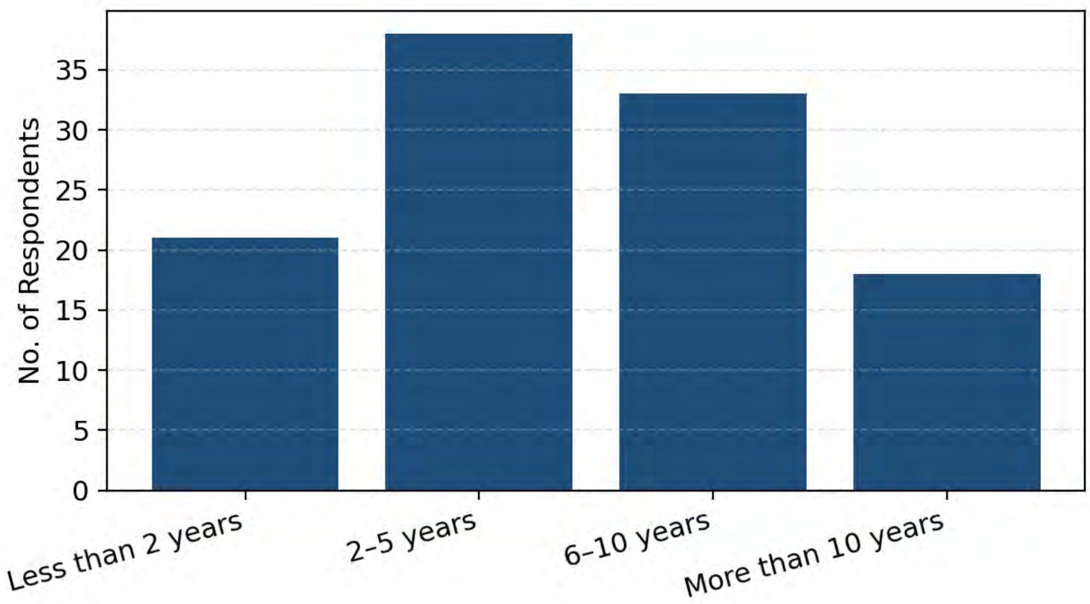

Figure 6:Bar graph of Years of Experience in Foreign Trade

4.2. Primary Market Engagement

Primary Trading Partner	No. of Respondents	Percentage
India	64	58.2%
China	21	19.1%
Other Countries	25	22.7%

Table 6:Primary Trading Partner of Respondents

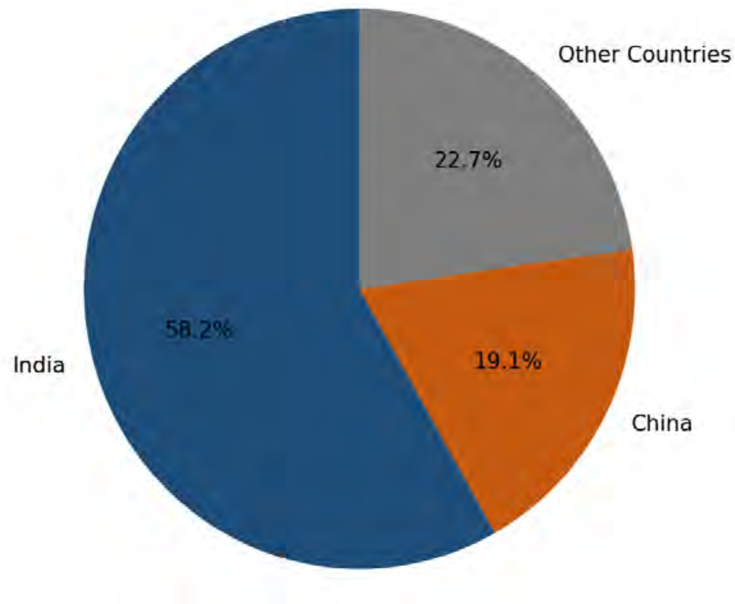

Figure 7:Pie-chart of Primary Trading Partner of Respondents

The majority of respondents identified India as their primary trading partner, consistent with Nepal's overall trade pattern, followed by China and a range of other countries.

4.3. Factors Influencing Growth and Trend of Foreign Trade

Respondents rated their agreement with statements measuring each factor on a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). Mean and standard deviation scores for each factor are presented below.

Factor	Mean	Std. Deviation	Interpretation
Trade Policy & Regulations (TPR)	3.15	0.85	Moderate agreement
Exchange Rate (ER)	2.95	0.90	Low-moderate agreement
Infrastructure & Logistics (IL)	2.78	0.88	Low-moderate agreement
Trade Barriers (TB)	2.65	0.83	Low-moderate agreement
Market Competitiveness (MC)	3.35	0.79	Moderate agreement

Table 7:Mean and Standard Deviation of Factors Influencing Trade Growth

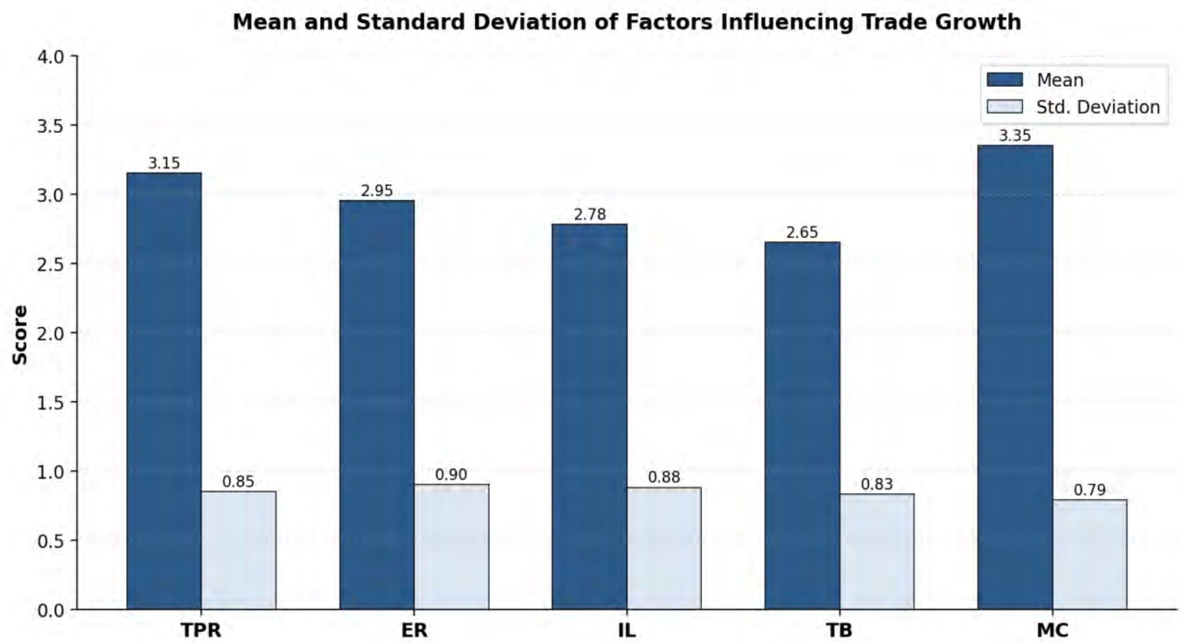

Figure 8:Bar graph of Mean and Standard Deviation of Factors Influencing Trade Growth

Market Competitiveness (mean = 3.35) and Trade Policy and Regulations (mean = 3.15) received the highest mean scores, suggesting respondents are relatively more positive about product competitiveness and the policy environment than about other factors. Trade Barriers received the lowest mean score (2.65), indicating that barriers are widely felt to be a constraint on trade growth.

4.4. Correlation Analysis

Variable	Correlation with Growth of Foreign Trade (r)	Direction
TPR	0.58	Positive
ER	-0.41	Negative
IL	0.52	Positive
TB	-0.47	Negative
MC	0.44	Positive

Table 8:Correlation between Independent Variables and Growth of Foreign Trade

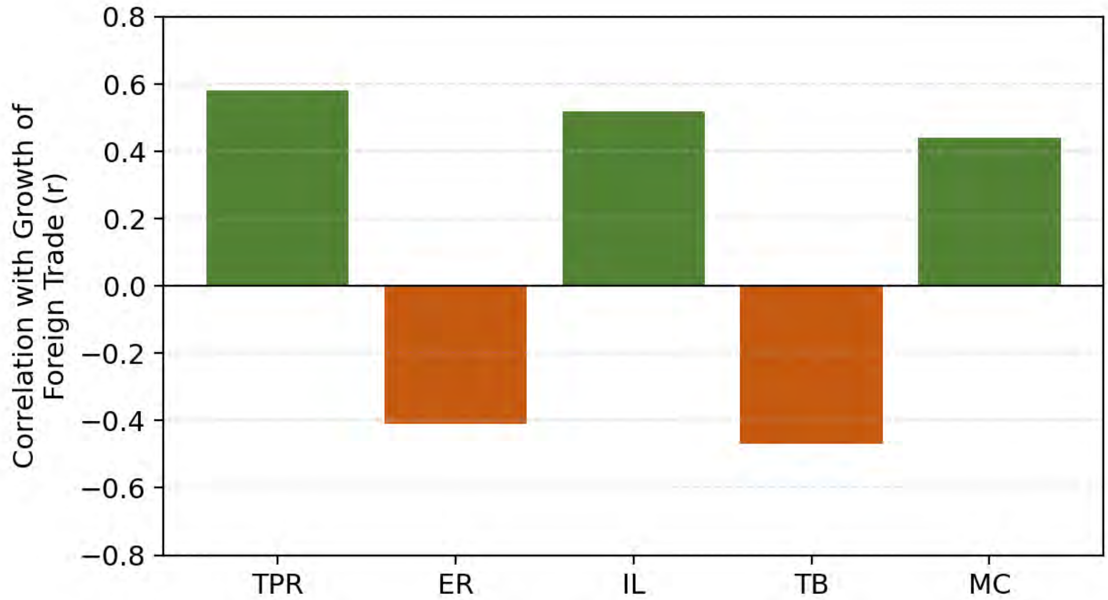

Figure 9:Bar graph of Correlation between Independent Variables and Growth of Foreign Trade

Trade Policy and Regulations and Infrastructure and Logistics show a positive and moderately strong correlation with perceived trade growth, while Exchange Rate and Trade Barriers show a negative correlation — indicating that exchange rate volatility and higher perceived barriers are associated with lower perceived trade growth. Market Competitiveness shows a moderate positive correlation.

4.5. Challenges Faced by Respondents

Challenge	No. of Respondents*	Percentage (%)
Customs delay / documentation complexity	68	61.8%
High tariff / duty structure	54	49.1%
Currency fluctuation	47	42.7%
Poor transport & logistics infrastructure	41	37.3%
Limited access to trade finance	26	23.6%

*Table 9:Challenges Faced While Engaging in Foreign Trade (*Multiple responses)*

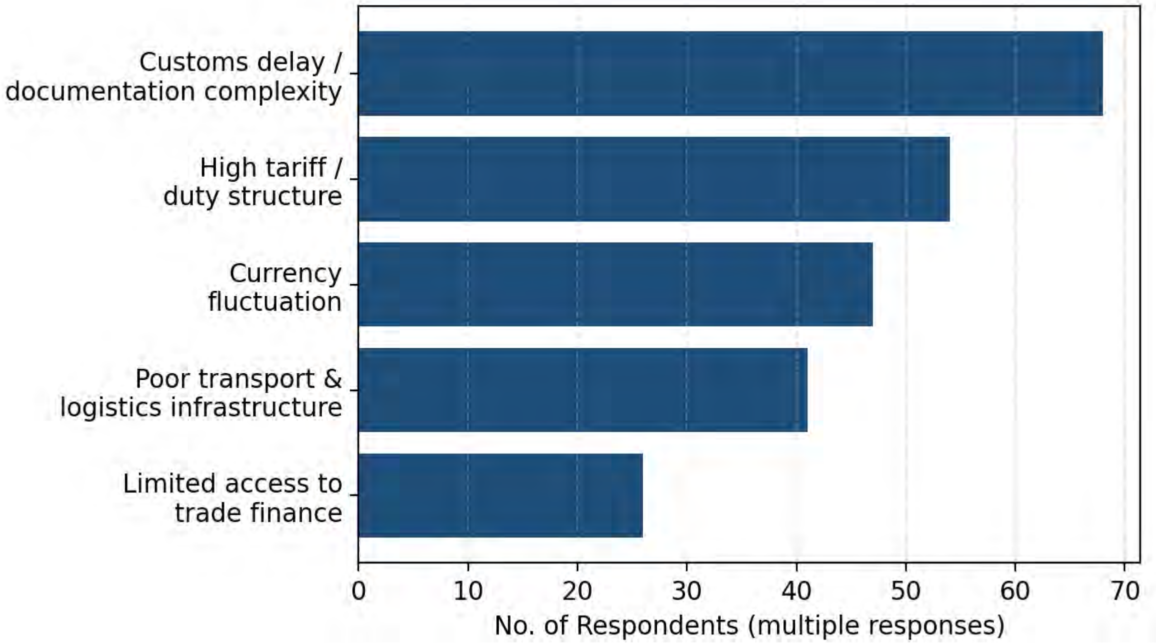

Figure 10:Bar graph of Challenges Faced While Engaging in Foreign Trade

Customs delay and documentation complexity emerged as the most widely reported challenge, followed by high tariff/duty structure and currency fluctuation. These findings are consistent with the low mean score observed for Trade Barriers and the negative correlation observed for Exchange Rate in the preceding sections.

4.6. Major Findings

Respondents are moderately positive about Market Competitiveness and Trade Policy and Regulations, but rate Trade Barriers and Infrastructure and Logistics less favorably.

Trade Policy and Regulations and Infrastructure and Logistics are the strongest positive predictors of perceived trade growth.

Exchange Rate volatility and Trade Barriers show a negative relationship with perceived trade growth.

Customs delay/documentation complexity and high tariff/duty structure are the most commonly reported operational challenges.

India remains the dominant primary trading partner among respondents, consistent with national trade patterns.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1. Summary

This study was conducted to examine the growth and trend of Nepal's foreign trade as perceived by businesses engaged in export, import, and trade-related activity. Using a descriptive research design, primary data were collected from 110 respondents through a structured questionnaire. The study analyzed respondent perceptions of trade policy and regulations, exchange rate, infrastructure and logistics, trade barriers, and market competitiveness, and their relationship to the overall perceived growth of foreign trade.

The findings show that trade policy and infrastructure/logistics conditions are positively associated with perceived trade growth, while exchange rate volatility and trade barriers act as constraints. Customs-related delays and tariff structures were identified as the most pressing operational challenges.

5.2. Conclusion

Based on the findings, it can be concluded that the trading community's perception of Nepal's foreign trade growth is shaped as much by day-to-day regulatory and infrastructural friction as by broader economic conditions. Addressing procedural bottlenecks, stabilizing exchange-rate-related uncertainty, and reducing trade barriers appear to be key levers for supporting stronger, more predictable trade growth.

5.3. Recommendations

Simplify customs and documentation procedures to reduce the delays most frequently cited by respondents as an operational challenge.

Improve trade-related infrastructure, including transport, warehousing, and border logistics, given its positive association with perceived trade growth.

Provide exchange-rate risk information and guidance to exporters and importers to help offset the negative influence of currency volatility.

Review and streamline tariff and non-tariff barriers that respondents identified as constraining trade activity.

REFERENCES

Note: These entries illustrate the expected referencing format and must be replaced with the actual publications consulted before submission.

Department of Customs, Government of Nepal. Foreign Trade Statistics (various fiscal years). Kathmandu: Department of Customs.

Ministry of Finance, Government of Nepal. Economic Survey (various fiscal years). Kathmandu: Ministry of Finance.

Nepal Rastra Bank. Macroeconomic and Financial Situation Report (various issues). Kathmandu: Nepal Rastra Bank.

Trade and Export Promotion Centre (TEPC). Nepal Foreign Trade Statistics (various fiscal years). Kathmandu: TEPC.

APPENDIX

Dear Respondent,

I am a BBA student conducting this survey as part of my Business Research Methods (BRM) project entitled “Growth and Trend Analysis of Nepal’s Foreign Trade.” This questionnaire is intended solely for academic research purposes.The purpose of this study is to examine the growth and trend of Nepal’s foreign trade and to identify factors that may influence its development, including trade policy and regulations, exchange rate, infrastructure and logistics, trade barriers, and market competitiveness.Your participation is completely voluntary, and all responses will be kept strictly confidential. The information you provide will be used only for academic purposes and will be analyzed in aggregate form. No personally identifiable information will be disclosed. The questionnaire will take approximately 5–7 minutes to complete. Your honest responses are highly appreciated and will contribute to the successful completion of this research.

Researcher: Bibek Rana

Program: BBA

College: Nepal Tourism and Hotel Management College

Section A: Demographic and Business Profile

1. Gender: □ Male □ Female □ Other

2. Age Group: □ 18–25 □ 26–35 □ 36–45 □ 46 and above

3. Educational Qualification: □ Up to Secondary □ Bachelor's □ Master's & above □ Other

4. Nature of Business: □ Exporter □ Importer □ Both □ Trade-related Service Provider

5. Years of Experience in Foreign Trade: □ Less than 2 years □ 2–5 years □ 6–10 years □ More than 10 years

Section B: Awareness and Trade Engagement

6. Which country do you primarily trade with? □ India □ China □ Other

7. Are you aware of current government trade policies and regulations relevant to your business? □ Yes □ No □ Somewhat

Section C: Factors Influencing Growth and Trend of Foreign Trade

Please tick (✓) the option that best reflects your level of agreement with each statement below, grouped by the factor it measures.

Trade Policy and Regulations (TPR)

Statement	**1 Strongly Disagree**	**2 Disagree**	**3 Neutral**	**4 Agree**	**5 Strongly Agree**
TPR1. Current trade policies support the growth of my business.	○	○	○	○	○
TPR2. Customs procedures are clear and predictable.	○	○	○	○	○
TPR3. Overall, government trade regulation facilitates trade growth.	○	○	○	○	○
TPR4. Trade policy changes often disrupt my business planning.*	○	○	○	○	○

Exchange Rate (ER)

Statement	**1 Strongly Disagree**	**2 Disagree**	**3 Neutral**	**4 Agree**	**5 Strongly Agree**
ER1. Exchange rate movements significantly affect my trade profitability.	○	○	○	○	○
ER2. I am able to plan effectively despite exchange rate fluctuations.	○	○	○	○	○
ER3. Exchange rate stability is important for my trade decisions.	○	○	○	○	○
ER4. Exchange rate volatility discourages me from expanding trade activity.*	○	○	○	○	○

Infrastructure and Logistics (IL)

Statement	1 Strongly Disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly Agree
IL1. Transport and logistics infrastructure adequately supports my trade activity.	○	○	○	○	○
IL2. Port and border facilities process shipments efficiently.	○	○	○	○	○
IL3. Overall infrastructure quality has improved trade efficiency.	○	○	○	○	○
IL4. Poor infrastructure often delays or increases the cost of my shipments.*	○	○	○	○	○

Trade Barriers (TB)

Statement	1 Strongly Disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly Agree
TB1. Tariff rates on my goods are reasonable.	○	○	○	○	○
TB2. Non-tariff requirements (licensing, standards, documentation) are manageable.	○	○	○	○	○
TB3. Trade barriers do not significantly restrict my business.	○	○	○	○	○
TB4. Trade barriers increase my cost of doing business substantially.*	○	○	○	○	○

Market Competitiveness (MC)

Statement	1 Strongly Disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly Agree
MC1. My products/services are competitive in international markets.	○	○	○	○	○
MC2. I am able to compete effectively on price with foreign competitors.	○	○	○	○	○
MC3. Overall, Nepali goods/services in my sector are competitive abroad.	○	○	○	○	○
MC4. Lack of competitiveness limits my ability to grow trade.*	○	○	○	○	○

Growth and Trend of Foreign Trade (DV)

Statement	1 Strongly Disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly Agree
DV1. My trade volume has grown over the past few years.	○	○	○	○	○
DV2. I expect my trade activity to continue growing.	○	○	○	○	○
DV3. Overall, I am optimistic about the growth of Nepal's foreign trade.	○	○	○	○	○
DV4. I do not see meaningful growth in my trade activity.*	○	○	○	○	○

Section D: Challenges Faced

8. What challenges have you faced while conducting foreign trade? (Tick all that apply)

□ Customs delay / documentation complexity □ High tariff / duty structure □ Currency fluctuation
□ Poor transport & logistics infrastructure □ Limited access to trade finance □ Other

9. Any suggestions to improve the trade environment? (Optional)

____