Foreign Direct Investment (FDI) in Nepal: (Mid-July 2024):

A Condensed Overview

Based on the Nepal Rastra Bank's FDI Survey Report 2023/24, September, 2025

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FDI in Nepal (Up to Mid-July 2024)

Nepal began emphasizing foreign investment with the introduction of its Sixth Five-Year Plan (FY 1980/81) (National Planning Commission, 1980). In alignment with this strategic policy shift, the Foreign Investment and Technology Transfer Act (FITTA) was promulgated in 1981, providing the first legal foundation for regulating and facilitating foreign investment in Nepal. Over the years, FITTA has undergone several revisions to adapt to global investment trends and evolving national development priorities.

According to the OECD (2008), *Direct Investment* refers to a category of cross-border investment in which a resident of one economy (the direct investor) exercises control or a significant degree of influence over the management of an enterprise that is resident in another economy (the direct investment enterprise). Unlike short-term and speculative portfolio investments, FDI represents a long-term commitment, often accompanied by the transfer of technology, skills, and managerial expertise.

Legal and Institutional Framework

In recent decades, Nepal has implemented several legal and institutional reforms aimed at improving the investment climate, enhancing transparency, streamlining administrative procedures, and ensuring investor protection. Major frameworks and reforms include:

- Foreign Investment Policy, 2015
- Foreign Investment and Technology Transfer Act, 2019 (FITTA)
- Public-Private Partnership and Investment Act, 2019
- Industrial Enterprises Act, 2020
- Special Economic Zone (SEZ) Act, 2016 (Amended in 2019)
- Nepal Rastra Bank Foreign Investment and Foreign Loan Management By-law, 2021 (Third Amendment)
- Institutional Reforms such as:
    - Establishment of a One-Stop Service Center for streamlined approval, registration, and licensing processes
    - Automatic route for foreign investment up to NPR 500 million in seven industrial sectors
    - Waiver of the NPR 20 million minimum investment threshold for the Information Technology (IT) sector

Significance of FDI in Nepal's Economy

Foreign Direct Investment (FDI) plays a crucial role in driving structural transformation, enhancing productivity, and fostering inclusive and sustainable growth. FDI also helps bridge Nepal's investment gap, introduces new technologies and managerial practices, and facilitates integration into global value chains. Sustained policy commitment remains essential to further strengthen the investment environment and attract long-term investors.

FDI Survey 2023/24 (Published September 2025)

The annual FDI Survey conducted by Nepal Rastra Bank (NRB), supplemented by financial statements of surveyed enterprises, provides the following insights for FY 2023/24:

- Nepal's FDI stock increased by 12.7 percent, reaching Rs. 333 billion in 2023/24.
- The composition of total FDI stock comprised paid-up capital (50.7%), reserves (36.7%), and loans (12.6%).
- As of mid-July 2023, a total of 754 enterprises with FDI approvals were active.
- Additionally, 113 enterprises recorded new FDI inflows during FY 2023/24, bringing the total surveyed enterprises to 867.
- Among them:
    - 65 are large enterprises (authorized capital ≥ NRs. 500 million)
    - 53 are medium-scale (NRs. 15 million – less than NRs. 500 million)
    - 749 are smaller enterprises (authorized capital below NRs. 150 million)

The FDI stock value was determined based on shareholder's equity, loans, and payables (excluding trade credits) owed to foreign direct investors.

Country wise FDI

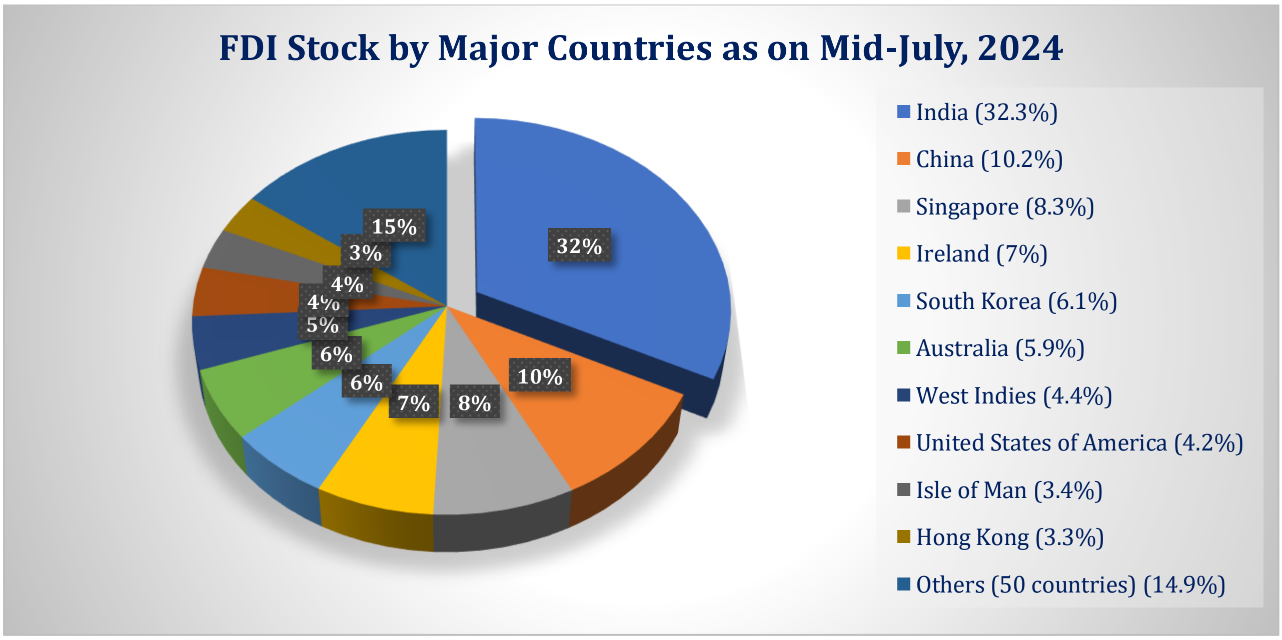
As of mid-July 2024, Nepal had received Foreign Direct Investment (FDI) from a total of 60 countries. Among them, India remained the largest source of FDI, accounting for 32.3 percent of Nepal's total FDI stock. It was followed by China with 10.2 percent, Singapore with 8.3 percent, Ireland with 6.9 percent, and South Korea with 6.1 percent.

In terms of paid-up capital, India also ranked first with investments amounting to Rs. 55.6 billion, followed by China with Rs. 29.8 billion, South Korea with Rs. 17.4 billion, and Ireland with Rs. 10.7 billion.

FDI Stock by Major Countries

(Rs. billion)

S.N	Country	As of Mid-July 2024,				Share in Total FDI Stock (%)
		Paid-up Capital	Reserves	Loans	FDI Stock	
1	India (32.3%)	55.629	44.941	7.065	107.635	32.3%
2	China (10.2%)	29.768	-11.176	15.231	33.823	10.2%
3	Singapore (8.3%)	7.985	19.177	0.529	27.664	8.3%
4	Ireland (7%)	10.682	12.465	0.000	23.147	7.0%
5	South Korea (6.1%)	17.422	-1.729	4.494	20.188	6.1%
6	Australia (5.9%)	10.429	9.106	0.177	19.712	5.9%
7	West Indies (4.4%)	0.080	14.677	0.001	14.758	4.4%
8	United States of America (4.2%)	4.227	5.428	4.173	13.828	4.2%
9	Isle of Man (3.4%)	0.078	11.330	0.000	11.408	3.4%
10	Hong Kong (3.3%)	6.728	-0.119	4.427	11.036	3.3%
11	Others (50 countries) (14.9%)	25.590	17.927	6.229	49.773	14.9%
	Total	**168.617**	**122.028**	**42.327**	**332.971**	**100.0%**



Disparity Between Approved and Actual FDI

A considerable discrepancy exists between approved FDI and actual net FDI inflows received by Nepal. Between FY 1995/96 and 2023/24, actual net inflows amounted to only 31.9 percent of total approved FDI (see Appendix II and Figure 2).

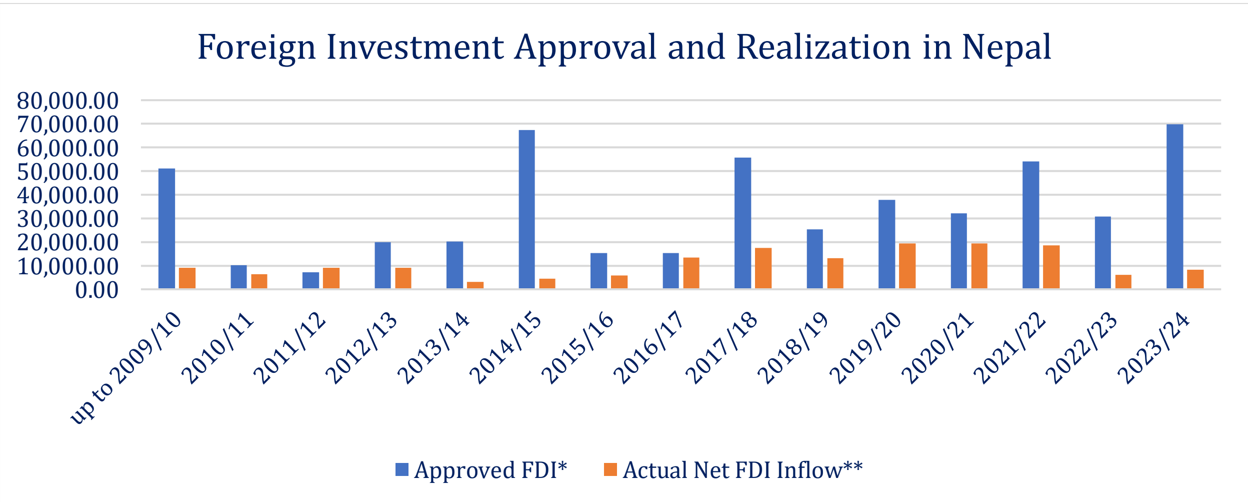
The main reasons for this gap include:

- Approved FDI reflects intended or committed investments, which may not fully materialize.
- Time lags between approval and actual inflows.
- Long-gestation projects, especially in infrastructure and energy sectors, where investments are realized incrementally.

Foreign Investment Approval and Realization in Nepal

(From starting to till Mid July 2024)

			(Rs. Million)
Fiscal Year	**Approved FDI***	**Actual Net FDI Inflow****	**Actual Net FDI Inflow as a Percentage of Approved FDI**
up to 2009/10	51,066.40	9,154.80	18%
2010/11	10,053.20	6,437.10	129%
2011/12	7,138.30	9,195.40	46%
2012/13	19,818.70	9,081.90	16%
2013/14	20,132.40	3,194.60	6%
2014/15	67,455.00	4,382.60	39%
2015/16	15,254.30	5,920.90	89%
2016/17	15,206.50	13,503.90	31%
2017/18	55,760.50	17,504.60	51%
2018/19	25,484.40	13,065.20	52%
2019/20	37,805.80	19,478.70	61%
2020/21	32,172.80	19,512.70	34%
2021/22	54,158.90	18,560.30	20%
2022/23	30,699.40	6,170.50	12%
2023/24	69,833.60	8,400.70	32%
Total	**512,040.20**	**163,563.90**	**32%**
**Approved by IBN and DoI*			
*** As per FDI Research of Actual Realization by NRB*			



FDI Growth

The 2023/24 FDI Survey of NRB reveals notable growth in both FDI inflows and stock. Gross inflows rose by 6.2 percent to Rs.8.5 billion, while the total FDI stock increased by 12.7 percent to Rs.333 billion.

Sectoral Distribution of FDI

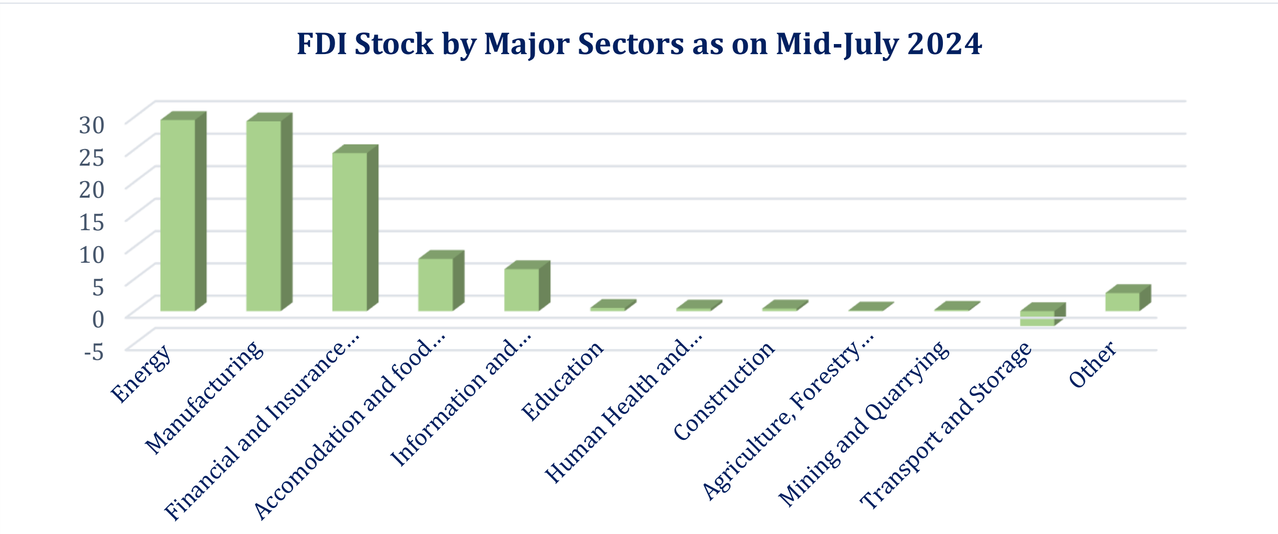
FDI in Nepal is predominantly concentrated in the industrial sector, which accounts for 59.4 percent of total FDI stock, led by:

- Electricity, gas, steam, and air conditioning (Energy sector)– 29.5%
- Manufacturing – 29.3%
- The service sector comprises the remaining 40.5 percent, of which:
- Financial and insurance services represent 24.4%
- Information and communication represent 8.1%
- Accommodation and food services represent 6.5%

As of mid-July 2024, the outstanding foreign loans (excluding direct investor loans) of FDI enterprises totaled Rs. 59.9 billion, with the hydropower sector accounting for Rs. 34.7 billion of this total.

FDI Stock by Major Sectors

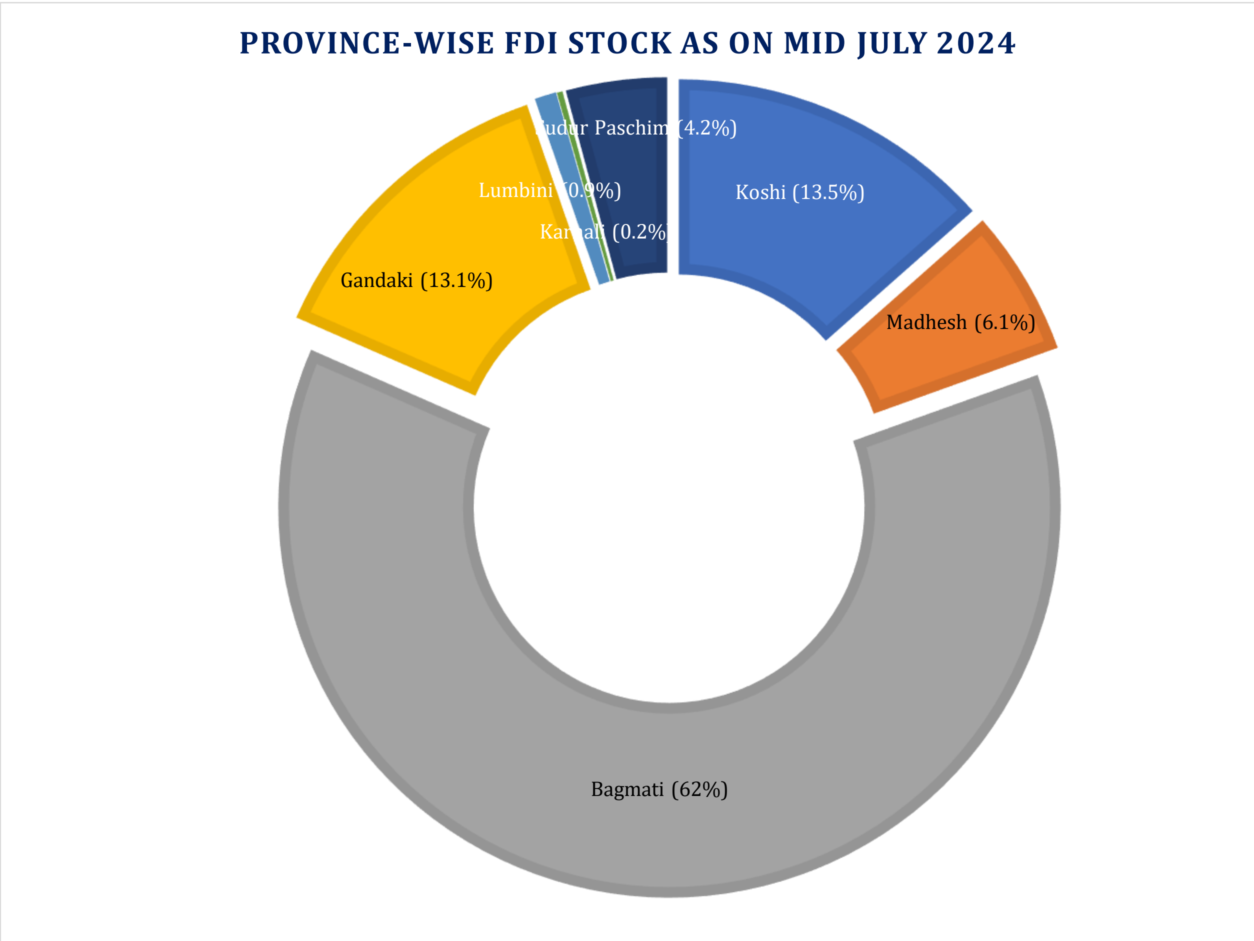
S.N.	Sector	As of Mid-July			
		2022	2023	2024	
		Amount in Million NRs			Share in Total (%)
1	Energy	86,852.60	88,611.80	98,337.30	29.5%
2	Manufacturing	77,928.70	86,774.60	97,566.40	29.3%
3	Financial and Insurance Services	67,780.50	76,752.20	81,395.40	24.4%
4	Accommodation and food services	13,884.10	18,546.20	26,907.30	8.1%
5	Information and Communication	12,733.00	19,741.40	21,729.70	6.5%
6	Education	2,074.70	1,697.20	1,794.30	0.5%
7	Human Health and Social Work	735.4	1,077.60	1,187.40	0.4%
8	Construction	623.3	855.7	1,426.30	0.4%
9	Agriculture, Forestry and Fishing	267.9	302.6	288.7	0.1%
10	Mining and Quarrying	36.1	83.5	532.4	0.2%
11	Transport and Storage	-7,678.80	-7,840.10	-7,597.10	-2.3v
12	Other	9,092.10	8,894.00	9,402.70	2.8v
	Total	**264,329.50**	**295,496.60**	**332,970.90**	**100%**



Province wise Distribution

FDI remains geographically concentrated, with Bagmati Province accounting for 62 percent of total FDI stock. Other provinces, particularly Lumbini and Karnali, hold less than 1 percent each.

Province-wise FDI Stock		
As on Mid-July 2024		
		(Rs. Million)
Province	**FDI Stock**	**Share in Total (%)**
Koshi	44,878.30	13.5%
Madhesh	20,145.40	6.1%
Bagmati	206,569.60	62%
Gandaki	43,756	13.1%
Lumbini	2,983.60	0.9%
Karnali	777.1	0.2%
Sudur Paschim	13,860.90	4.2%
Total	**332,970.90**	**100%**



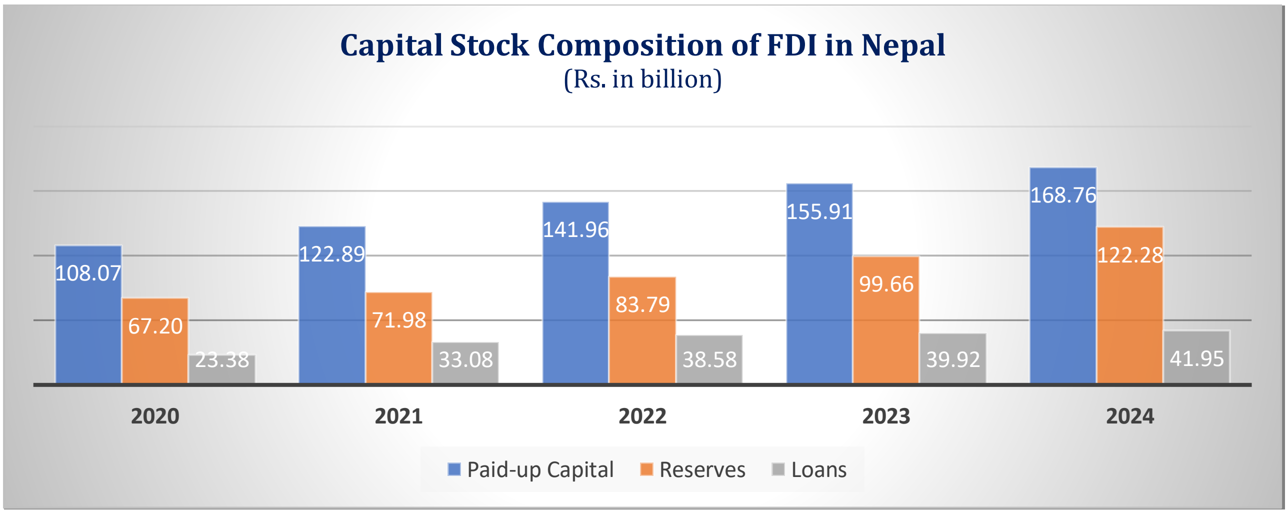
Capital Composition of FDI Nepal

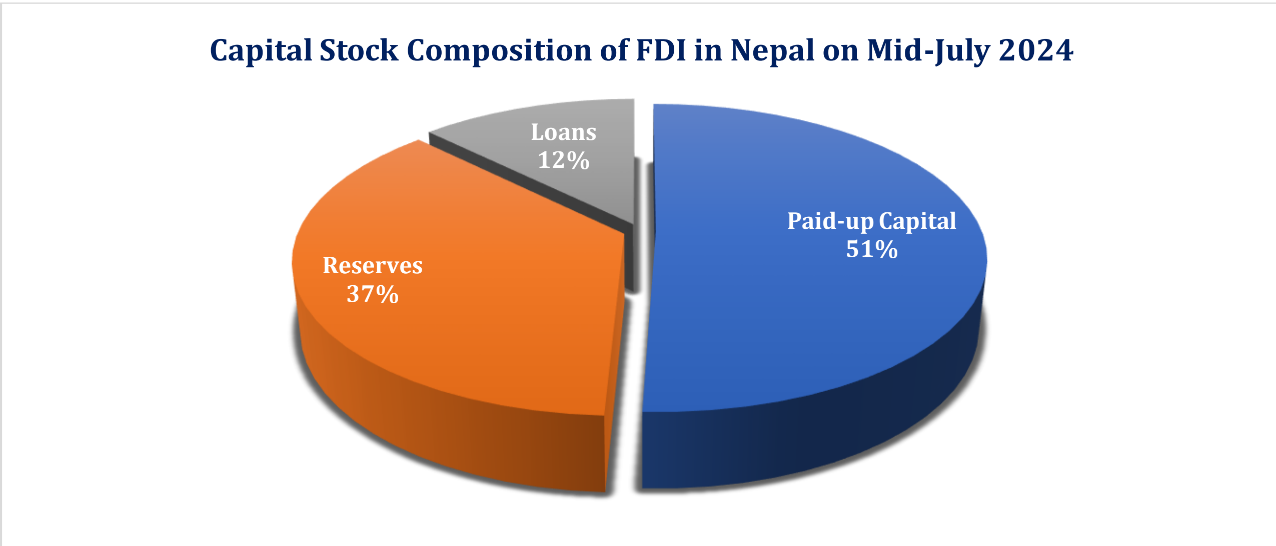
In terms of Capital Composition of FDI in Nepal, paid-up capital comprises the highest component in the last 5 years, securing above 50%, followed by Reserve with 32%-37% and remaining 12-15% with loans

Capital Stock Composition of FDI in Nepal

(Rs. billion)

Components	As of Mid-July				
	2020	**2021**	**2022**	**2023**	**2024**
Paid-up Capital (Rs)	108.07	122.89	141.96	155.91	168.76
% of Paid-up Capital	*55%*	*54%*	*54%*	*53%*	*51%*
Reserves	67.07	71.98	83.79	99.66	122.28
% of Reserves	*34%*	*32%*	*32%*	*34%*	*37%*
Loans	23.38	33.08	38.58	39.92	41.95
% of Loans	*12%*	*15%*	*15%*	*14%*	*13%*
Total FDI Stock	**198.52**	**227.95**	**264.33**	**295.50**	**332.97**
Total %	*100%*	*100%*	*100%*	*100%*	*100%*





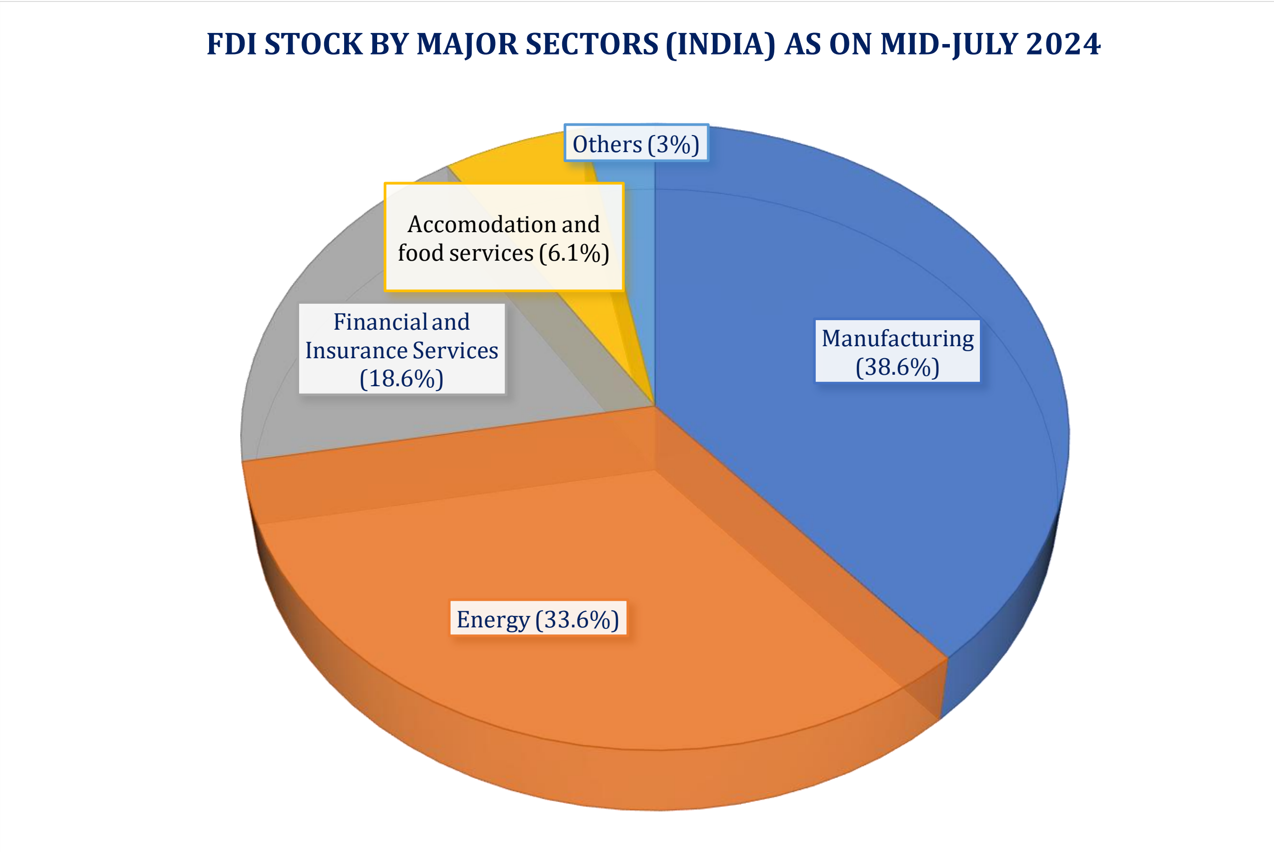
FDI Stock by Sectors from India with Capital Composition Structure

The majority of India's FDI stock is concentrated in three key sectors: manufacturing (38.6 percent), electricity, gas, steam, and air conditioning supply (Energy Sector) (33.6 percent), and financial and insurance services (18.6 percent). Among these, the investment in the electricity, gas, steam, and air conditioning sector (Energy Sector) accounts for the highest paid-up capital.

FDI Stock by Major Sectors from India with Capital Structure
(As on Mid-July 2025)

(Rs. billion)

Components	Paid-up Capital	Reserves	Loan	FDI Stock	Share in India's FDI Stock (%)
Manufacturing (Rs)	7.3	31.5	2.8	41.5	39%
Manufacturing (%)	*13.1%*	*70.0%*	*39.1%*	38.6%	
Energy (Rs)	34.6	0.7	1.0	36.2	34%
Energy (%)	*62.1%*	*1.5%*	*13.5%*	*33.6%*	
Financial and Insurance Services (Rs)	9.6	10.4	0.0	20.1	19%
Financial and Insurance Services (%)	*17.2%*	*23.2%*	*0.7%*	*18.6%*	
Accommodation and food services (Rs)	2.5	3.1	1.0	6.6	6%
Accommodation and food services (%)	*4.5%*	*6.9%*	*14.5%*	*6.1%*	
Others (Rs)	1.7	-0.7	2.3	3.3	3%
Others (%)	*3.0%*	*-1.5%*	*32.3%*	*3.0%*	
Total	**55.63**	**44.94**	**7.07**	**107.64**	**100%**



Dividend Repatriation

During FY 2023/24, FDI enterprises repatriated dividends worth Rs. 12.6 billion. The manufacturing sector received the highest approval for dividend repatriation, followed by the financial and insurance services sector.

Dividend Repatriation

(Rs. in million)

Sectors	2020/21	2021/22	2022/23	2023/24
Agriculture, Forestry and Fishing	0	3	0	3
Construction	0	52.2	0	24.3
Electricity, gas, steam, and air conditioning	3,816.2	1,678.1	130.1	372.2
Manufacturing	6,747.7	7,315.5	8,847.6	8,967.9
Mining and Quarrying	0	0	0	0
Accommodation and food services	0	1.9	22.8	48.9
Education	303	0	0	0
Financial and Insurance Services	868.3	1,089.3	3500	2,997.6
Human Health and Social Work	0	0	2.8	8.9
Information and Communication	13,984.1	5,402.8	3,673.5	14.5
Transport and Storage	0	25.7	42.9	6.7
Other	357.3	106.6	1115	135.4
Total	26,076.6	15,675.2	17,334.7	12,579.4

Source: Approval provided for dividend repatriation by NRB up to 2023/24.

Capacity Utilization and Profitability

The survey findings also reveal that capacity utilization in the manufacturing sector is 47.5 percent, and overall profitability of FDI enterprises stands at 10.7 percent.

Sales from Operation and Profitability

The survey also includes data on sales from the operation of FDI enterprises. The total sales of surveyed enterprises during 2023/24 increased 5.3 percent to Rs. 474 billion from Rs. 450.2 billion a year ago.

Return on Equity

Similarly, the average 13 Return on equity (ROE) of surveyed FDI enterprises stood at about 11.4 percent for 2023/24, which was around 11.6 percent a year ago.

Outstanding foreign loans of FDI enterprises

As of mid-July 2024, the total outstanding foreign loans of FDI enterprises — excluding direct borrowings from their parent foreign investors — amounted to Rs. 59.9 billion, showing a slight decline from Rs. 60.3 billion recorded in the previous year. The hydropower sector remained the largest recipient of such financing, with outstanding foreign loans reaching Rs. 34.7 billion during the same period.

Although Nepal has achieved steady progress in drawing foreign investment, maintaining this upward trend will depend on further policy and institutional reforms. Continued efforts are required to improve the investment climate, upgrade infrastructure, and enhance regulatory consistency. The findings underscore the importance of data-driven policymaking, strategic investment facilitation, and sector-focused initiatives to ensure that FDI translates into broad-based, inclusive, and sustainable economic growth for the country.