

Fiscal Mechanism of Nepal Government: Revenue Generation Strategies and Expenditure Allocation

Shiba Prasad Sapkota, Rajendra Bir Chand, Tek Bahadur Madai, Dipak Raj Pant

Faculty of Management, Far Western University, Mahendranagar, Nepal
Email: sheshank1981@gmail.com

How to cite this paper: Sapkota, S. P., Chand, R. B., Madai, T. B., & Pant, D. R. (2026). Fiscal Mechanism of Nepal Government: Revenue Generation Strategies and Expenditure Allocation. *Advances in Applied Sociology*, 16, 150-175. <https://doi.org/10.4236/aasoci.2026.162011>

Received: December 30, 2025

Accepted: February 22, 2026

Published: February 25, 2026

Copyright © 2026 by author(s) and Scientific Research Publishing Inc. This work is licensed under the Creative Commons Attribution International License (CC BY 4.0). <http://creativecommons.org/licenses/by/4.0/>



Open Access

Abstract

The linkages between sources of revenue and expenditures support achieving the targeted goals of the 16th five-year development plan. This study first analyzed the structural pattern of revenues and expenditures of the Nepal Government. Secondly, the relevance of sources of revenues analyzed and added additional sources of income. Finally, the linkages between sources of revenue and expenditures have been established. For this, the descriptive and analytical research design have been employed. To analyze the structural patterns of revenues and expenditures of the Nepal Government after adopting the federal system in 2015, descriptive statistics tools have been employed. The analysis of the relevancy of sources of revenues and linkages between sources of revenues and expenditures have been established by employing a focus group discussion. The results of secondary data analysis show that due to the increase of foreign debt the national GDP has been increased, which could produce debt trap. Primary data analysis concluded that the focus should be given to the national prioritized projects rather than the small projects for sustainable goals. The study could be useful for the policy making and implementation levels of three tiers of government agencies.

Keywords

Budget Allocation, Nepal Government, Revenue Generation Strategies, 16th Five-Year Development Plan

1. Introduction

1.1. Background and Research Gap

Federalism is a form of governance wherein the federal government shares exec-

utive power with state or local governments (Elazar, 1987). Realizing the best way of decentralization, several nations have recently embraced this governance structure. Federalism divides state powers among federal divisions, including budgetary, administrative, and political authority. As per the nation's definition of the United Nations (UN), there are 195 countries, out of which 34 countries have adopted the federal system in different forms. Among them, 14 countries have adopted the federal system always, 5 countries have adopted the federal system usually, 8 countries have adopted the federal system sometimes, one country has adopted the federal system rarely, and 6 countries have adopted a quasi-federal system.

Always	Usually	Sometimes	Rarely	Quasi-federal
India, United States, Pakistan, Brazil, Russia, Ethiopia, Germany, Argentina, Canada, Malaysia, Australia, Belgium, UAE	Mexico, Nepal, Venezuela, Austria, Bosnia and Herzegovina	Sudan, Iraq, Somalia, South Sudan, Switzerland, Comoros, Micronesia, and Saint Kitts and Nevis	Cyprus	Philippines, France, South Africa, Italy, Spain, Chile

Sources: Retrieved from

<https://worldpopulationreview.com/country-rankings/federal-states> on 9th May 2025.

To achieve long-lasting peace, good governance, and prosperity through a federal, democratic, and republican system of governance, Nepal adopted the federal system of governance with three tiers of government and promulgated a new constitution in 2015 (Government of Nepal, 2015). Nepal is a landlocked nation in South Asia that shares borders with China to the north and India to the south, west, and east. Nepal is renowned for its breathtaking natural beauty, and the mountaineering range, which includes Mount Everest, is a top travel destination for people all over the world. With a GDP of about \$46.097 billion and a per capita income of about \$1336.5 (World Bank, 2023), Nepal is still among the world's poorest nations despite having an abundance of natural resources and natural beauty. The people are employed in agriculture, which accounts for around 25% of the GDP of Nepal and drives the country's economy. Nepal has had several political shifts throughout its history.

The Constituent Assembly of Nepal formally declared Nepal to be a federal democratic republic nation in 2015. A country that had been a unitary state for a long time has now adopted a new political structure, although previous attempts at decentralization had taught some valuable lessons. The administrative organizations such as development areas, zones, districts, municipalities, and village development committees have been restructured. Despite the approval of a new constitution in 2015, there is currently another stage of political, economic, and administrative upheaval happening. Article 56 of the constitution establishes the federation, the province, and the municipal levels of administration. Consequently, Nepal has been split up into seven provinces and 753, mostly rural local levels (of

which 293 are urban municipalities).

Three levels of government are each given exclusive and concurrent state power according to the constitution's schedules 5, 6, 7, 8, and 9 (Government of Nepal, 2015). These authorities serve as the governments' areas of expenditure jurisdiction. The process of passing many laws has been underway for the past seven years since the adoption of the Constitution. The paradigm of fiscal federalism enshrined in the constitution has already been implemented through acts such as the National Natural Resources and Fiscal Commission (NNRFC) Act of 2017 and the Intergovernmental Fiscal Arrangements (IFA) Act of 2017. The majority of the provisions of the IFA Act deal with intergovernmental transfers and income sharing between the various governmental levels.

Additionally, the Local Government Operation (LGO) Act (2017) has enhanced the functioning of local government entities. The National Natural Resources and Fiscal Commission, a constitutional entity, now has a full legal framework to operate within to fulfill its duties and responsibilities as outlined in the constitution and other relevant legislation thanks to the NNRFC Act. Budgetary federalism is the division of budgetary power and accountability among the several levels of government in a federal system. It includes the principles and procedures guiding revenue collection, spending allocation, and intergovernmental fiscal transfers in order to achieve an efficient and equitable distribution of resources and the delivery of public services across the many levels of government.

In accordance with the constitution and the aforementioned laws and acts, Nepal has established all the necessary frameworks to carry out fiscal decentralization, including the authority to raise income, allocate expenditures, and conduct different kinds of fiscal transfers between governments.

The Fiscal Federalism Update Report 2023 of the World Bank has incorporated a macro-fiscal update on provincial and local governments, Legal, policy, and institutional frameworks on fiscal federalism, and Progress on public finance management in provincial and local government. The report has also depicted the existing condition of federal, state, and local levels of government. This report has not addressed the sources of revenue generation.

The Sustainable Developmental Goals (SDGs) progress evaluation report 2020, between 2016 and 2019 has incorporated all the stated goals and progress as well as targeted goals. However, the analysis of sources of revenues for the proposed expenditure seems less analyzed sections. Almost all reports and studies have been focused on budgeting and expenses only. So, an investigating issue emerged at this point what is the structural pattern of sources of revenue, and how it can be linked with the expenditure.

However, the federal system continues to face challenges, including resource limitations, unclear jurisdictional divisions, and capacity gaps at provincial and local levels. Despite these obstacles, Nepal's federal structure remains a crucial step toward decentralized governance, social inclusion, and balanced regional development.

The proposed 16th five-year development plan of the Nepal Government has been organized into 14 sections. These are Introduction, Strengthening macroeconomic fundamentals and rapid economic growth, Enhancing production, productivity, and competitiveness, Decent job-productive employment and sustainable social security, Health education and skilled human capital formation, Quality infrastructure and integrated transport management system, Modern sustainable and systematic urbanization and settlements, Gender empowerment, Social inclusion and mobilization, Reinforcement of provincial and local economy and balanced, Reducing poverty and inequality and creating an equitable society, Efficient fiscal management and capital expenditure capacity enhancement, Governance reform and promoting good governance, Smoothing LDC graduation and beyond, and Sustainable development goals and green economy (NPC, 2023). The NPC has analyzed its previous developmental plans, and the results show that almost all the targets were not achieved (NPC, 2023). Based on the evaluation of previous developmental plans by the National Planning Commission, it can be inferred that there is an incapability between expected revenues and expenditure.

After analyzing the 16th five-year development plan, a major issue is found there is a lack of estimation of sources of revenue generation and linkage with the proposed expenditure. The reason behind the failure to achieve the targeted goals of development plans could be the lack of proper estimation of sources of revenue. For instance, if a person wants to buy a sophisticated car first of all he/she needs to estimate his sources of revenue, and as per his revenue, he/she could plan to buy the car. The proper allocation of resources is an important task of planning, Robbins (1998). Therefore, the estimation of sources of revenues is as important as the estimation of expenditures.

The Sustainable Developmental Goals progress evaluation report 2020, between 2016 and 2019 has incorporated all the stated goals and progress as well as targeted goals. However, the analysis of sources of revenues for the proposed expenditure seems less analyzed sections. Finally, almost all reports and studies have been focused on the budgeting and expenditure part. So, an investigating issue emerged at this point what is the structural pattern of sources of revenue, and how it can be linked with the expenditure. The following are the specific investing issues:

The liberal political atmosphere and economic reform programs of the post-1990s have enhanced economic activity. But the result was not what was expected given the ensuing ten-year struggle. The country's present constitution, which institutionalized a federal democratic republic governance structure and allowed for economic development, was drafted by the historical constituent assembly that was founded by the People's Movement of 2006. To honor its international commitment, Nepal must achieve the Sustainable Development Goals (SDGs) by 2030. In federal, provincial, and municipal development initiatives, the Sustainable Development Goals (SDGs) are being integrated and contextualized as part of the effort to guarantee that no one is left behind in all aspects of development.

In the past, Nepal has historically fallen behind other nations of comparable

ranks in socioeconomic development hence significant advancements in this area are imperative. The [National Planning Commission \(2023\)](#) states that Nepal's fifteenth plan also has a long-term goal to improve people's lives and achieve economic growth, but it is a challenging task that requires a lot of resources, such as modern infrastructure and highly skilled labor.

Additional important factors include the use of renewable energy sources, planned urbanization, and the expansion of rural infrastructure. Making use of demographic advantages also means reducing income inequality, maintaining macroeconomic stability, and increasing opportunities for productive employment. Other ways to build a just society include providing social security and safety, encouraging investment, and igniting the socially supportive economic sectors.

[Laleye and Oloru \(1989\)](#) added that fiscal federalism integrates the local peoples' aspiration, and participation and creates efficient and equitable services based on their capacity and knowledge, leading towards the greater participation of the public and maintaining political stability.

Fiscal federalism is useful in managing the conflict of heterogeneous groups of People. It is the mechanism of collecting tax and nontax revenue and distribution in the various layers of government ([Kayode, 2014](#)). Without the proper control over resources and the implementation of proper policy, one country can achieve sustainable development. There is a provision for revenue collection and redistribution within three levels of government in Nepal. Central, provincial, and local level governments have given certain right and duties to collect revenue and redistribution. Fiscal federalism denotes the financial connection between the central, provincial, and local levels of government, which dictates the financial activities for economic development, and authority is shifted from the top to the lower level.

Fiscal federalism is the process of decentralizing the fiscal structure from the center to the local unit ([Namocha, 2002](#)). It reduces the central power of revenue collection and provides autonomy to the subnational government of the country. Economic growth can be achieved by creating healthy competition among different levels of government highlights that fiscal federalism is transferable of the central power of revenue collection and redistribution to the sub-national or lower-level government so that each government can enjoy the authority of tax collection, new generation of tax and tax system and redistribution of revenue to uplift the living standard of local people in a different province and local levels. The tax authority of subnational governments varies from country to country as the provision of the nation. In Nepal, tax authority is determined by the constitution, act, and National Resource Management Commission of Nepal.

The main goal of fiscal federalism and tax collection is to increase GDP, enhance public sector efficiency, and reduce the deficit budget. It states that fiscal federalism stimulates to the local government to deliver their service because the local government are better situation than the central government. It is assumed that fostering economic growth is possible through fiscal federalism. It is widely

assumed to bring political activities closer to the people, thereby facilitating information flows between the government and the local population and reducing information asymmetries (Burret, Feld, & Schaltegger, 2022). This mechanism increases the political awareness of the voters and makes it easier to control their local and provincial government, it also increases the willingness to pay tax for government services. As a result, the political responsiveness to the heterogeneous local needs and the efficiency of resource allocation is increased (Oates, 1999). Political and fiscal autonomy is given to the local government to do the best social and economic performance. If voters base their election decision on the performance of their region in comparison to other regions, the government is exposed to a yardstick competition (Besley & Case, 1995).

Hirschman (1970) reveals taxpayers' performance and creates incentives for the subnational government to satisfy local performance, provide public goods efficiently, and conduct business-friendly policies, thereby federal competition supports regional economic performance. It is suggested that federal competition is frequently considered to be a check on the power to tax revenue-maximizing leviathans (Brennan & Buchanan, 1980).

Fiscal federalism increases the capacity of subnational governments to take more risks and new experiences with new policies and solutions for local problems (Baldwin & Krugman, 2004). It is not guaranteed that fiscal federalism is not always good for all tiers of government poorer governments are forced to levy high taxes for financing public goods, poorer subnational government lose their competition as well and there is fear that capital outflows would result in a degradation of the welfare state (Cai & Trusman, 2005). The federal system is new for Nepal. All the policy rules and acts have not yet been formulated or completed to collect revenue in Nepal. Sufficient resources are needed to achieve the target of sustainable development goal. A broader aspect of the revenue collection system is necessary to meet the upcoming demand of the public.

There is a national natural resource and fiscal commission to determine the revenue and sharing formula in three tiers of government in Nepal. Based on the report of the commission planning, all layers of government make different types of policies and programs to generate revenue for sustainable economic development. The revenue collection of the government is the main indicator of economic performance, central, provincial, and local level governments collect different types of revenue in Nepal. Custom duty, excise duty, value-added tax, corporate tax, and individual income tax service tax visa fee, are the main tax revenue of the central government. In the jurisdiction of the provincial and local government, house and land registration fees, motor vehicle tax, agro-income tax, and local tax are the main sources of revenue (Government of Nepal, 2015).

The concept of the welfare state is stronger among people in the global market. The responsible government tries to fulfill the requirements of the public. To meet all the needs, sufficient resources are needed. The government tries to raise the revenue from various sources. Fiscal federalism is taken as an important tool to

raise the revenue for reducing resource GDP. *Ola and Offiang (1999)* argued that revenue management is the mechanism for distributing resources of the country between different levels of government so that economic development is possible by minimizing inter-governmental conflict and maintaining peace and harmony with national unity. Nepal has adopted federalism for sustainable development, but its achievement is not justified yet. Whether the country can achieve the target of people's aspirations or not. Under the unitary state, tax collection was not satisfactory. Three tiers of government are trying to mobilize their resources to provide public goods and services. Many constitutional provisions and acts are formulated for revenue collection. The impact of this effort is measured through revenue collection. Administration expenditure is increasing in Nepal due to the federal system. Central, provincial, and local government has their rights and duties to collect revenue and redistribute resources. All the layers of government have prepared different types of acts and policies to provide the best services in the territory. Without sufficient resources, the government cannot provide welfare programs and services.

The federal system's early stages, the lack of a clear implementation plan, the ambiguity surrounding the relationship between the federal, provincial, and local governments, the inability to achieve the expected level of coordination between the government bodies, and the absence of a strategy to improve administrative capacity at the provincial and local levels are the main problems. Furthermore, there is uncertainty regarding the interpretation of the concurrent powers conferred by the constitution, as evidenced by the intricacy and overlap of the three governments' tax jurisdiction, obstacles to a balanced development because of remoteness, and difficulties in developing human and physical capital at the provincial and local levels. Therefore, it is an investigating issue that examines the effects of the federal system on the economy of Nepal.

1.2. Literature Reviews and Conceptual Framework

Dhanasekaran (2001) examined the relationships between Indian government tax collection and spending. Geweke's and Granger's causality tests were used for the data collected from a variety of sources, including the Reserve Bank of India's Annual Reports, Reports on Currency and Finance, and the Government of India's Economic Survey covering the years 1960-1961 to 1995-1996, for this study. The results showed that there was no long-term relationship between tax revenue (TR) and government expenditure (GE). Whereas Geweke's test suggested no causation when GE was the subject of the investigation and bi-directional causality when TR was the focal point, Granger's test suggested a unidirectional influence from GE to TR. This emphasized how important the model definition is in determining the dynamics of the connection between revenue and spending.

Saunoris (2013) initiated a long-term panel data analysis to examine the relationships between government revenue and expenditure in the Republic of Serbia. Employing data from 1951 to 2008 across 48 contiguous US states, the study used

fixed-effects models and a six-equation error correcting model employing per capita normalization and logarithmic changes. The study found that reducing government spending, grants and additional income has an indirect impact on budgetary adjustments. The tax-spend hypothesis was supported by higher tax revenues and higher government spending. Debt and grants have a major impact on government spending patterns and fiscal imbalances, highlighting their crucial importance. Furthermore, the study found that the availability of resources had a greater impact on government operations than spending did. Interestingly, states with large debt showed unique budgetary trends, with debt rising after previous deficits. In addition to cost-cutting initiatives and methods for addressing long-term debt accumulation, the paper provided recommendations for specific legislative measures.

Ullah (2016) investigated the theoretical relationship between Malaysian government spending and revenue. Using information from public sources, this analytical study examined how income and spending affect Malaysia's continued development. The results showed an interesting dynamic: whereas direct taxes accounted for the majority of government revenue, variations in indirect tax revenue and non-tax revenue sources mostly determined changes in government spending. To ensure the best possible alignment between revenue and expenditure for the nation's economic development, the study's recommendations for policy should be followed.

Acharya (2017) focuses on examining the changes in government revenue and spending from 2011-12 to 2015-16. The primary focus of the inquiry is Total Government Expenditure, which is compared to some independent variables, including Total Government Income, Tax revenue, Non-tax revenue, and Other revenue categories. The study uses secondary data that was obtained from official government sources and employs a descriptive research design. The results reveal a startling pattern: the rate of increase in government spending surpasses the rate of increase in income. This disparity accentuates the budgetary imbalance that has been present over the examined period by maintaining a growing fiscal gap.

Goyal and Sharma (2018) used a specific statistical method called Structural Vector Autoregression (SVAR) to investigate the effects of different types of Indian government spending, including total, capital, and revenue expenditures. They expanded this method to assess both short- and long-term multipliers by adding monetary policy responses and supply shocks. Their results showed some interesting differences: revenue expenditure (revex) showed a stabilizing short-term influence, whereas capital expenditure (capex) had a greater long-term multiplier. Additionally, the cumulative impact of capex was shown to be higher than that of revex, ranging from 2.4 to 6.5 times. The study also underlined the unique consequences of supply shocks on capex and revex as well as the insights gained from breaking down spending analysis.

Burret, Feld and Schaltegger (2022) stated that the linkages between fiscal fed-

eralism and economic performance is still ambiguous. Overall, instruments of competitive federalism appear to improve economic performance of the cantons, while for cooperative elements the effects are not unambiguously identified.

Painter and Bae (2001) examined the factors that influence state spending in the US. Panel data analysis was used to do the study using data from 1965-1966 - 1992-1993. The many institutional, political, and demographic characteristics were independent variables, while state spending per capita was the dependent variable. The study discovered that state government spending is significantly influenced by demographic characteristics. It was discovered that the unemployment rate, total long-term debt, and per capita income all positively impacted state government spending.

Ding (2007) looked at whether fiscal decentralization since 1994 has had an impact on economic growth. This research indicates that fiscal decentralization greatly boosts economic development using a panel data set for 30 provinces covering the years 1994-2002 and a straightforward endogenous growth model that accounts for expenditure by various levels of government. This result is in line with the theoretical assumption that more economic efficiency may be achieved by fiscal decentralization. Furthermore, this article aims to explore the variations in the link between provincial growth and fiscal decentralization among the various areas under consideration, as well as the economy/culture. The thirty Chinese provinces and regions are divided into three traditional economic belts: the eastern, central, and western regions for this purpose. The results of this study show that these three areas have different fiscal decentralization consequences on economic growth.

Amagoh and Ajab Amin (2012) assert that fiscal decentralization offers several advantages for public sector governance, such as increased growth, accountability, and responsiveness of public servants to local needs and demands. On the other hand, opinions on how fiscal decentralization affects macroeconomic development and performance are divided. This study scrutinizes both perspectives and suggests that although fiscal decentralization offers several advantages; its effects on economic growth are limited by various elements that are contingent on the specific circumstances of the societies/economies concerned. So, the circumstances and the state of the economy/society determine whether fiscal decentralization has a beneficial effect on growth.

Adil and Anwar (2015) investigated the impact of fiscal decentralization on economic growth in the context of Pakistan. There are three levels to Pakistan's present fiscal arrangement structure: federal, provincial, and municipal. Through awards from the National Finance Commission (NFC) and Provincial Finance Commission (PFC), resources are allocated among these tiers. Additionally, special and development grants, executive and legislative discretionary monies, and other sporadic payments are given to local governments. Because of its efficiency advantages, fiscal decentralization may benefit economic growth, according to

empirical theorists. However, if it is not complemented by improved political accountability and the local government apparatus's skill set, it may have detrimental consequences on economic growth and bring macroeconomic instability. Johansen's co integration technique is used within the framework of a basic endogenous growth model to estimate the effects of fiscal decentralization on economic growth in Pakistan for the period from 1972 to 2010, in accordance with the theoretical models of fiscal decentralization developed. As a set of control variables in the research, the study utilizes revenues and expenditures as indicators of fiscal decentralization. The assumption is that public expenditure and income creation have historically been handled by the federal and provincial levels of government, notwithstanding the lack of data available at the local level. According to empirical findings, fiscal decentralization boosts economic development over the long term, although in Pakistan's situation, this benefit is statistically negligible in the near term.

Bojanic (2018) examined how fiscal decentralization affected political and civil freedoms, economic freedom, and accountability in twelve American nations. Panel data analysis was used to perform the study. Based on revenue and spending, measures of political and civil freedoms, accountability, and economic freedom were regressed against indicators of fiscal decentralization. The findings indicate that while decentralization first obstructs political and civil freedoms and accountability, it eventually improves them. This is consistent with the expected beneficial relationship between more financial autonomy and a more inclusive, participatory government. Nonetheless, the impact of fiscal decentralization on economic liberty defies anticipated outcomes. Decentralization shows that increased accountability and political and civil rights are not always the consequence of what at first seems to be support for freedom, but eventually serves to limit it.

Kuntari et al. (2019) examined the variables influencing Indonesian local governments' capital expenditures. The province of Central Java's 35 local governments served as the study's basis. Regression analysis was utilised to examine secondary data spanning from 2014/15 to 2016/17. The dependent variable, capital expenditure, was defined as the amount spent on building land, building machinery and equipment, building buildings, developing roads, irrigation systems, networking, and other fixed assets. Revenue generated locally, revenue sharing funds, special allocation funds, and general allocation funds were the independent variables. The research revealed that capital expenditure was positively impacted by every independent variable that was taken into account (Table 1).

The structural patterns of sources of revenues and expenditures has been examined using secondary data. Furthermore, the relevancy of sources of revenue and linkages between sources of revenues and expenditures has been analyzed using focus group discussion. The following conceptual framework provides a holistic approach to the study (Figure 1).

Table 1. Review of literature.

Author/Date	Objective	Variables	Methodology	Findings
Dhanasekaran (2001)	To investigate the causal relationship between government tax revenue and expenditure in India.	Government Tax Revenue, Government Expenditure	Data Source: The Reserve Bank of India's Annual Reports, the Reserve Bank of India's Reports on Currency and Finance (many issues), and the Government of India's Economic Survey (many issues). Study Period: Depending on data availability, year data from 1960-1961 to 1995-1996 were utilized. Data Analysis Geweke's was used to measure the feedback between revenue and expenses. Granger's causality test results were compared. Research design: Analytical research design, focusing on exploring the causal relationship	There was no sustained correlation discovered between Government Expenditure (GE) and Tax Revenue (TR). Granger's test revealed a one-way influence from GE to TR, whereas Geweke's test suggested bi-directional causality when TR was the focus and no causality when GE was studied. The study emphasized how important the model is for figuring out how revenue and expenditure relate to one another.
Saunoris (2013)	To examine the relationships between government revenue and expenditure in the Republic of Serbia in order to identify the steps that must be taken to lower the country's budget deficit.	Dependent Variable Government Expenditure Independent Variable Tax revenues, Grants, Income, Debts and Other Revenues	The study uses per capita normalization and logarithmic modifications to evaluate panel data from 48 contiguous US states (1951-2008). Data Analysis In order to study fiscal interrelationships and the long-term effects of tax revenues and grants on total government spending, it estimates fixed-effects models, conducts descriptive statistics, and uses a six-equation error correcting model. Research Design longitudinal panel data study using panel data from US states that are contiguous	Grants and additional revenues indirectly influence fiscal adjustments by reducing government spending; Higher tax revenues are linked to higher government expenditures, in line with the tax-spend hypothesis. Debt and grants both have a big impact on how government spending patterns are shaped and fiscal imbalances are balanced. Availability of resources has a greater impact on the extent of government operations than does demand for expenditures. Compared to low-debt states, high-debt states have different budget patterns, most notably growing debt after previous deficits. The report makes recommendations for particular policy measures, such as tactics for cutting costs and dealing with protracted debt accumulation.

Continued

				In Malaysia, direct taxation accounts for the majority of government revenue;
Ullah (2016)	To investigate the theoretical relationship between government revenue and expenditure in Malaysia.	Government Revenue Government Expenditure	Analytical research on the effects of income and spending on Malaysia's ongoing development, utilizing data from published sources.	Majority of government revenue originates from direct tax, yet government spending primarily fluctuates due to changes in indirect tax revenue and non-tax revenue sources. Suggests adherence to proper rules and guidelines in policymaking for optimal revenue-expenditure alignment.
Acharya (2017)	To determine how government revenue and spending have changed between FY 2011-12 and FY 2015-16, then investigate the difference.	Total Government Expenditure Independent Total Government Income Tax revenue Nontax revenue Other revenue Total	Secondary data analysis from government publication Descriptive research design	Government spending is growing more quickly than income, which causes the fiscal imbalance to expand.
Goyal and Sharma (2018)	To assess the effects of several forms of Indian government spending (total, capital, and revenue) using specific statistical technique known as SVAR	Government Expenditure, Capital expenditure, Revenue expenditure Supply Shocks Monetary supply response	Uses a two-variable Structural Vector Autoregression (SVAR) model and expands it to estimate both short- and long-run multipliers by including supply shocks and monetary policy responses.	Compared to revex, capex has a larger long-term multiplier; the short-term impact stabilizes for revex; capex has a higher cumulative impact (2.4-6.5x); supply shocks have a different effect on capex and revex; and disaggregated spending analysis provides insights.
IIDS (2020)	To estimate potential provincial and local governments sources of revenues.	Government revenues. Government expenditure.	Descriptive and analytical research design has been employed. For the primary data analysis, key informant interviews and focus group discussions were employed.	The short-term strategies focus on strengthening the capacity and tax administration. The medium-term strategy concentrates on the reassignment of tax rights to sub-national governments. Long-term strategy discusses the formulation of policies and strategic investments for economic growth at the sub-national level.
Burret, Feld and Schaltegger (2022)	To analyze the impact of federalism in economic performance.	Government economic policies, economic performances, and canons of federalism.	Descriptive and analytical research design.	the linkages between fiscal federalism and economic performance is still ambiguous.

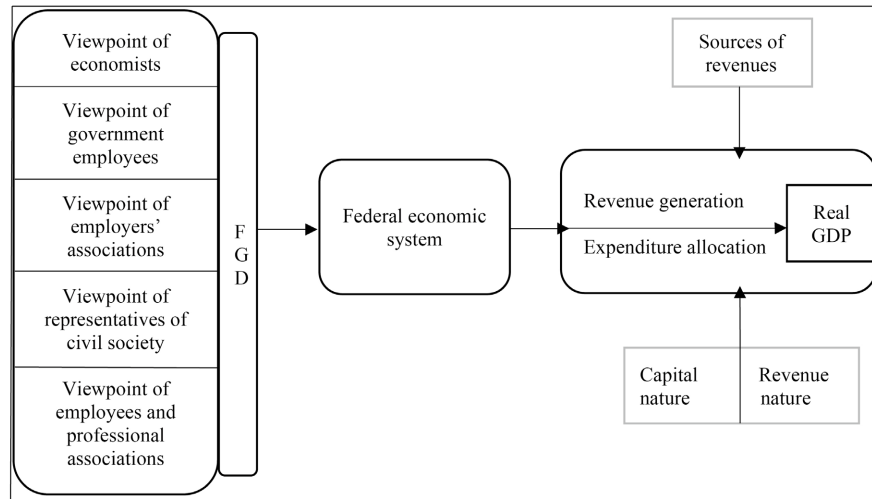


Figure 1. Conceptual framework.

2. Methodology

The study employed descriptive and analytical research design. For the analysis of secondary data, the descriptive statistical tools were used. For instance, mean, median, and standard deviation, correlation and regression have used. Furthermore, the primary data were analyzed and backed by the systematic literature review. Therefore, the descriptive and analytical research design employed.

Population and sample

The study analyzed the federal government's level secondary data for the analysis of structural pattern of income and expenditure. For the analysis of primary data all provinces have been covered. However, among 753 local level governments, convenience sampling has used because we conducted focus group discussion in the place of provincial government and incorporated local level governments also. Therefore, among 753 local level governments only seven local level governments are incorporated. The participants are incorporated from academic professional (doctors, professors, engineers, and economist), member of chamber of commerce, representative of civil society, and journalists.

Operational definition of the variables

Dependent variable: Real GDP of the federal government has considered as dependent variable.

Independent variables: The total revenue, foreign grants, foreign loan, capital expenditure, recurrent expenditure, financial expenditure, money supply (M2), import, and export of federal government have considered as independent variables.

Control variable: Inflation rate has considered as control variable.

Sources of Data

The secondary data used in this study covers 15 years (2010-2024). Information have been gathered from Ministry of Finance, Nepal Rasta Bank, and Central Bureau of Statistics (CBS). The primary data were collected from focus group discus-

sion. The focus group discussion conducted in deductive way. Firstly, the themes were determined and, on these themes, focus group discussions were conducted. With the permission of participants, the discussion was recorded as well as notes were taken. Based on the notes taken and recordings the conclusions were drawn.

Tools for data analysis

This chosen regression model enables a comprehensive examination of the relationship between fiscal federalism and economic growth in the context of federal level government. The dependent variable is the real GDP of the federal government.

$$RGDP_t = \beta_0 + \beta_1 TR_t + \beta_2 FG_t + \beta_3 FL_t + \beta_4 CE_t + \beta_5 RCE_t + \beta_6 FE_t + \beta_7 MS_t + \beta_8 I_t + \beta_9 E_t + \varepsilon_t$$

Where,

RGDP—Real gross domestic product of federal government.

TR—Total revenue of federal government.

FG—Foreign grants of federal government.

FL—Foreign loan of federal government.

CE—Capital expenditure of federal government.

RCE—Recurrent expenditure of federal government.

FE—Financial expenditure of federal government.

MS—Money supply of federal government.

I—Import of federal government.

E—Export of federal government.

ε_t —Error term.

Focus group discussion

Focused Group Discussions (FGD) with academic professional (doctors, professors, engineers, and economist), member of chamber of commerce, representative of civil society, and journalists were conducted based on deductive method.

3. Results and Discussions

Based on the revenue collection the budget of expenditure is prepared. The Government of Nepal has major three sources of fund revenue, grants and loan. **Figure 2** presents the trends of revenue, grants and loan.

Government revenue exhibited a steady upward trend from 2066/67 to 2080/81, except in 2078/79. Over this 15-year period, total revenue increased nearly fivefold from less than NPR 200,000 million in 2066/67 to NPR 1,059,649.24 million in 2080/81. The highest growth occurred between 2073/74 to 2076/77 and 2078/79, after which the revenue slightly declined and then slightly recovered. In contrast, grants remained relatively stable throughout the period. Before 2073/74, grants exceeded loans; however, following the establishment of federalized government system, loans surpassed grants as the government borrowed more to finance infrastructure development for federal, provincial, and local offices. The GDP growth rate for the period of 2073/74 to 2076/77 and 2078/79 also found high this indicates as the revenues increases the GDP growth rate also increases (**Figure 3**).

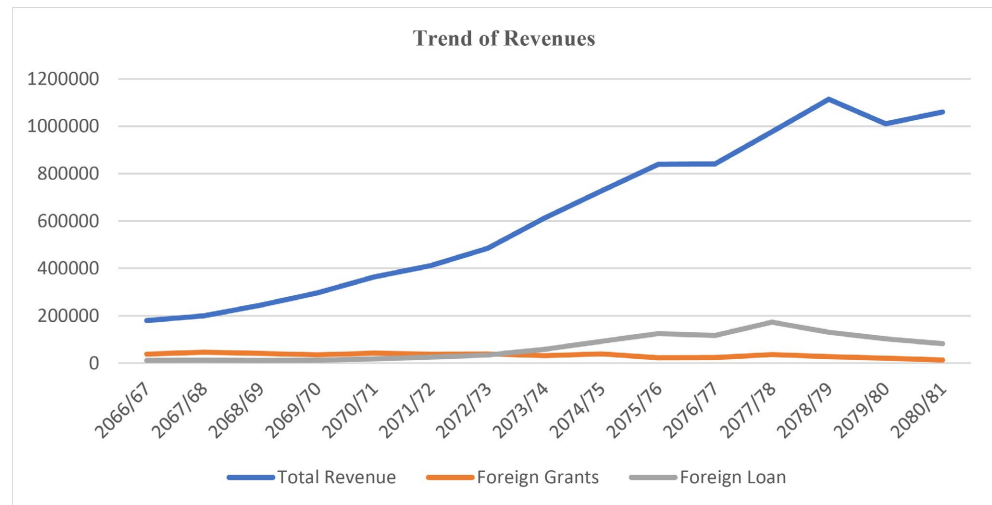


Figure 2. Trends of revenue, grants and loans (Millions of NRS).

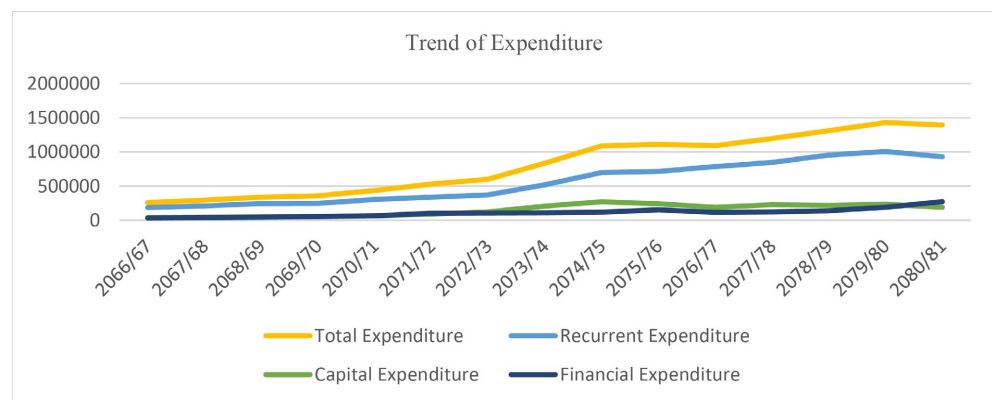


Figure 3. Trends of total expenditure, capital expenditure, recurrent expenditure and financial expenditure (Millions of NRS).

Before the adoption of the federal system, all types of expenditures total, recurrent, capital, and financial were relatively low, and their growth rates were also slow. However, following the implementation of the federal system, total and recurrent expenditures experienced significant growth, whereas the growth rates of capital and financial expenditures remained comparatively low. After 2078 the financial cost increased because of interest on debt financing, whereas the capital expenditure has found decreasing. The capital expenditure is essential for the long-term economic growth of the nation. This indicates that the government of Nepal should increase capital expenditure to achieve goals of 16th five-year development plan (Figure 4).

Figure 4 presents the total debt, export, import and trade balance. The trade balance is always in deficit, the rate of deficit has found higher after 2073 but after 2080 the rate of deficit has decreased. The export increased from 64,338 million to 152,380 million during the study period from 2066/67 to 2080/81. The rate of growth is low. The total debt has found increasing during the study period it has increased nearly about eight times. After 2074 the rate of growth has found high.

The rate of import has found also increasing, which increased around five times during the study period (Figure 5).

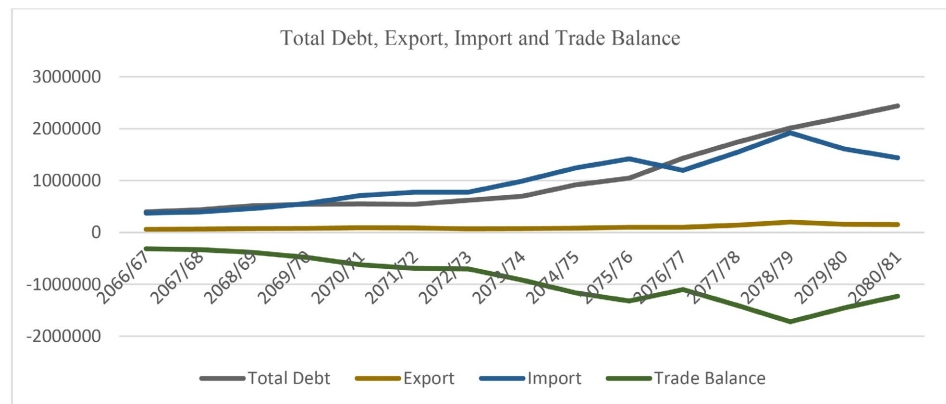


Figure 4. Trends of Total Debt, Export, Impost and Trade Balance (Millions of NRS).

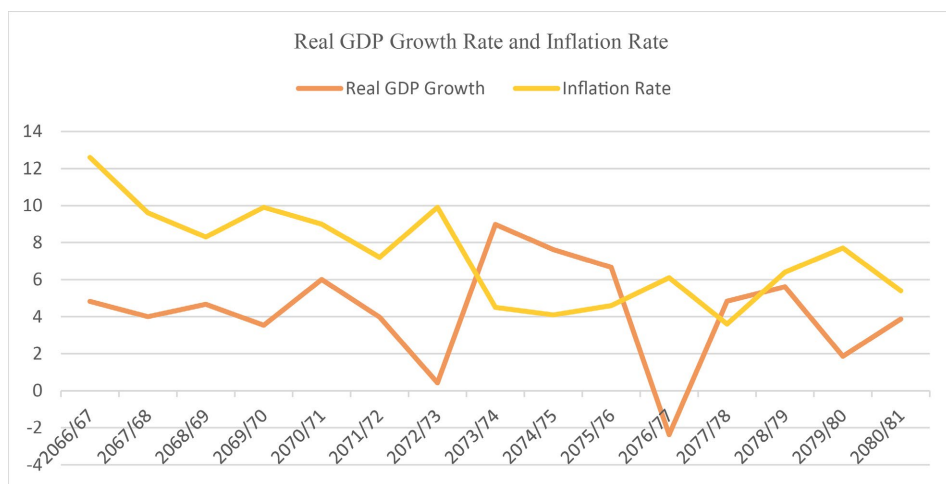


Figure 5. Trends of Real GDP Growth and Inflation Rate.

The real GDP growth rate was around 4.82 percent in the fiscal year 2066/67. It slightly decreased and remained around 4 percent up to 2069/70. The growth rate then increased, reaching 6 percent in 2070/71, but later declined sharply to 0.43 percent in 2072/73. However, in 2073/74, it rose significantly to around 9 percent. Thereafter, it declined to -2.37 percent in 2076/77, increased again to 4.84 percent in 2077/78, and continued to rise slightly in the following year. The growth rate declined again in 2079/80 but increased to 3.87 percent in 2080/81. This trend indicates that economic growth has been highly fluctuating, with the highest point recorded in 2073/74 and the lowest in 2076/77. Economic growth appears to have been more volatile after federalization than before.

The inflation rate, although showing some fluctuations, has generally decreased over the years. It was more than 12 percent in 2066/67 and declined to 5.4 percent in 2080/81, the inflation rate was lower after federalization than before (Figure 6).

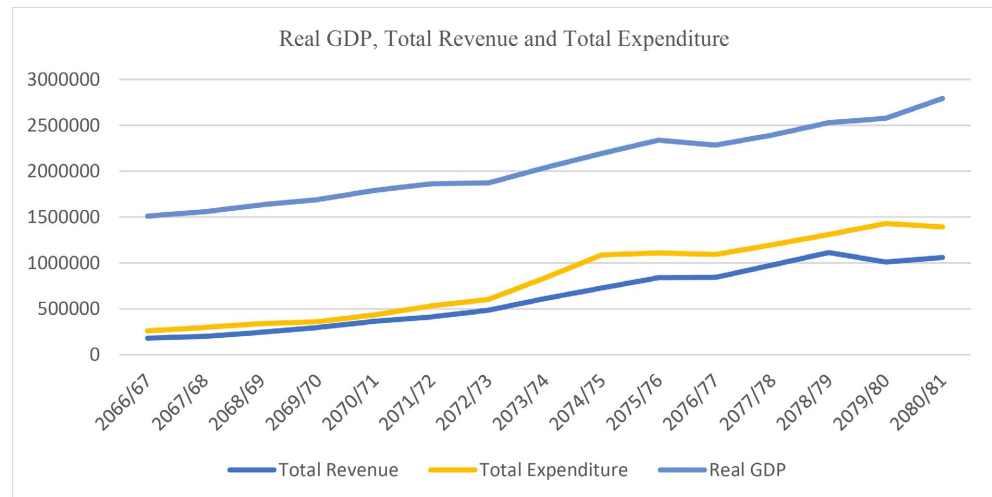


Figure 6. Trends of real GDP growth and inflation rate.

The association between revenue and expenditure have been found positively associated. As the revenue increased as well as the expenditure the level of growth of total revenue, and expenditure are increased throughout the study period. Where, the growth rate after federal system it has found higher than before federalism. The real GDP has also found constantly increasing. This implies that the association between expenditure and revenue has been positive during the study period (Table 2).

Table 2. Correlation analysis.

Correlation coefficients, using the observations 2010-2024 5% critical value (two-tailed) = 0.5140 for n = 15										
RGDP	TR	FG	FL	RCE	CE	FE	MS	E	I	
1.00	0.98	-0.83	0.83	0.97	0.85	0.92	0.97	0.83	0.94	RGDP
	1.00	-0.78	0.90	0.98	0.88	0.85	0.97	0.85	0.98	TR
		1.00	-0.57	-0.78	-0.60	-0.86	-0.81	-0.63	-0.70	FG
			1.00	0.89	0.87	0.60	0.82	0.70	0.90	FL
				1.00	0.88	0.84	0.97	0.84	0.96	RCE
					1.00	0.71	0.78	0.56	0.88	CE
						1.00	0.88	0.68	0.78	FE
							1.00	0.89	0.93	MS
								1.00	0.87	E
									1.00	I

All the variables have positive and high correlation with real GDP except foreign grants. The foreign grant has found negative and high correlation with real GDP. This implies that total revenue, foreign loan, capital expenditure, recurrent expenditure, financial expenditure, money supply (M2), import, and export of

federal government have been contributing national economy. Whereas, the foreign grant has inverse relationship. The budget of Nepal government has been around one third portion is foreign loan and grants. Therefore, the government projects were not completed in time and that resulted to unable of achieving sustainable goals like as 16th five-year development plan (Table 3).

Table 3. Regression analysis. Regression results where real GDP is dependent variable and total revenue, foreign grant, foreign loan, recurrent expenditure, capital expenditure, financial expenditure, money supply, export and import are independent variables.

Models	TR	FG	FL	RCE	CE	FE	MS	E	I	R ²
1	0.69 (0.11)	-0.05 (0.98)	0.91 (0.25)	0.76 (0.10)	0.10 (0.89)	3.01 (0.00)	-0.03 (0.15)	2.59 (0.22)	-0.31 (0.29)	0.994
2		0.82 (0.76)	1.34 (0.15)	0.75 (0.14)	-0.02 (0.97)	3.23 (0.005)	-0.01 (0.43)	1.68 (0.46)	-0.02 (0.92)	0.992
3	0.70 (0.07)		0.91 (0.20)	0.76 (0.05)	0.09 (0.87)	3.01 (0.00)	-0.03 (0.10)	2.58 (0.16)	-0.31 (0.24)	0.995
4	0.84 (0.06)	0.36 (0.88)		0.64 (0.15)	-0.11 (0.88)	2.41 (0.00)	-0.02 (0.27)	1.26 (0.47)	-0.18 (0.50)	0.995
5	0.69 0.17	-1.91 0.47	0.56 0.53		0.71 0.43	2.21 0.01	-0.00 0.87	1.82 0.45	-0.19 0.57	0.995
6	0.69 0.08	0.11 0.95	0.89 0.21	0.79 0.05		3.02 0.00	-0.03 0.12	2.41 0.09	-0.29 0.18	0.995
7	1.00 0.23	-3.15 0.50	-1.45 0.21	-0.30 0.64	0.34 0.83		0.03 0.35	-1.42 0.69	0.07 0.90	0.976
8	0.46 0.28	-0.81 0.75	0.42 0.59	0.27 0.37	0.11 0.90	2.25 0.01		0.57 0.74	-0.02 0.92	0.993
9	0.57 0.18	0.70 0.77	0.36 0.59	0.65 0.15	-0.63 0.29	2.59 0.01	-0.01 0.38		0.02 0.88	0.993
10	0.46 0.19	0.20 0.93	0.60 0.41	0.66 0.13	-0.44 0.48	2.77 0.01	-0.01 0.29	0.62 0.49		0.994

The relationship between real GDP and financial expenditure has been found significant and positive. This implies that GDP has been increasing due to increase in the foreign debt. If it exceeds more than the limit the economy would be in debt trap. Whereas other variables have been found insignificant relationship.

Test of Robustness

The study has analyzed time series data. Therefore, the BLUE properties are examined for the robustness.

Test of Normality (Figure 7)

The majority of the data were distributed normally. Therefore, the result of regression is reliable.

Test of Heteroskedasticity

The study examined Breusch-Pagan test for heteroskedasticity, where the null hypothesis is there is homogeneity among the data and alternative hypothesis is there heterogeneity among the data. The test shows that all the individual as well

as overall significance is more than 0.5. Therefore, we do not reject the null hypothesis. This implies that the data are homogenous.

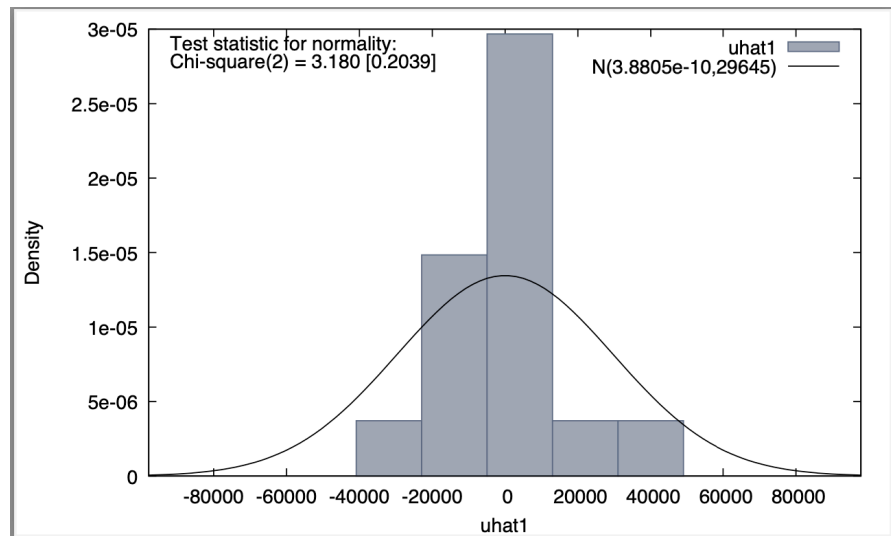


Figure 7. Test of normality.

Test of Autocorrelation

The Breusch-Godfrey LM test indicates that the null hypothesis of no first-order autocorrelation ($p > 0.05$). The p-value is 0.6523, this implies that the residuals of the model do not exhibit serial correlation.

Test of Multicollinearity

The test of multicollinearity shows collinearity problem. Therefore, the variables which have collinearity problem are excluded from the model and tested. This would have normalized the problem of multicollinearity problem.

Major Findings form Secondary Data Analysis

1) The amount of grants exceeded loans before the fiscal year 2073; however, loans have surpassed grants since then. When loans exceeded grants, economic growth was also achieved; however, this growth was not sustained in the long term.

2) Before adopting the federal system all the expenditures: total, recurrent, capital and financial expenditure have low level of growth rate. However, after adopting the federal system the level of growth rate of recurrent and total expenditure found higher.

3) After 2078 the level of growth rate of financial cost found increasing.

4) The pattern of expenditure may hard to achieve the goals of 16th five-year plan.

5) The total debt has found increasing at higher rate after 2074.

6) The real GDP growth rate has found fluctuation the ups and downs are higher after federalization and the rate of inflation has found decreasing with small fluctuations.

7) The association between expenditure and revenue collection has been found increasing and positively associated.

8) The budget of Nepal government has been around one third portion is foreign loan and grants. Therefore, the government projects were not completed in time and that resulted to unable of achieving sustainable goals like as 16th five-year development plan.

9) This implies that GDP has been increasing due to increase in the foreign debt. If it exceeds more than the limit the economy would be in debt trap.

Analysis of Primary Data

Based on the primary data the themes: revenue generation, linkage to expenditure, challenges and opportunities, grant distribution, revenue autonomy, sustainable development goals (SDGs), tax revenue, public expenditure, contribution to revenues, equity in fiscal distribution, public accountability, social sector funding, partnership for development, efficiency, fiscal decentralization, and revenue verses expenditure were discussed. The focus group discussions were conducted in Dhangadhi and other places of Sudurpaschim Province (51 participants), Surkhet (17 participants), Butwal (12 participants), Pokhara (16 participants), Hetauda (8 participants), and Birgunj (16 participants). We had four members as facilitators in the team, among two members note down the responses of the participants, one member recorded the responses and one member raised the issues based on the predetermined questions. Based on the taken notes and listening the recordings, the following conclusions have been drawn.

Revenue Generation and Expenditure

With the adoption of a new constitution in September 2015, Nepal formally became a federal nation; the state power in the previous unitary system was divided into three tiers of government: federal, provincial, and local. There are seven provinces and 753 local governments in Nepal. The rights of the three tiers of government are outlined in the constitution's schedule and include functional rights, revenue rights, borrowing rights, and provisions for fiscal transfers. Following the nation's federalization, provincial and municipal governments have benefited from grants of all four kinds, with the National Natural Resources and Fiscal Commission (NNRFC) overseeing fiscal transfers. To provide legal arrangements for the fiscal transfers, the National Natural Resources and Fiscal Commission Act, 2017 and the Inter-governmental Fiscal Arrangement Act, 2017 have both been promulgated. Similarly, the Local Government Operation Act of Nepal, enacted in 2017, outlines the exclusive tax revenue rights granted to local governments in the country. These rights empower local bodies, such as Rural Municipalities and Municipalities, to independently levy and collect taxes within their jurisdictions to finance local development projects, deliver essential services, and fulfill their administrative responsibilities. **Table 4** lists the assignment of some important governmental powers in the three tiers of governments.

Prior until now, a lot of the functional duties that are allocated to the federal, provincial, and municipal governments overlapped and were repeated throughout

the three levels of government. The constitution made it plain which tiers of government are responsible for each function in order to prevent confusion and better adhere to the “finance follows the function” theory. The fundamental question of the functional assignment is “Who will do what” (Devkota, 2021).

Table 4. Exclusive and concurrent powers by assignment.

	Exclusive Powers	Concurrent Powers	
		Federal and Provincial	Federal, Provincial, and Local
Federal	Defense, central planning, currency, foreign affairs, citizenship, passport, etc. (Schedule 5)	Civil and criminal procedure, supply and distribution of essential goods, population management, social security, casino, etc. (Schedule 7)	Cooperatives, education, health, agriculture, irrigation, mines, minerals, disaster management, environment, forest, personal events, archaeology, motor vehicle permits, etc. (Schedule 9)
Provincial	Provincial police administration, provincial civil service, higher education, provincial-level development activities such as electricity, irrigation, roads, land management, etc. (Schedule 6)		
Local	Town police, management of local services, basic and secondary education, basic health, local roads, drinking water, etc. (Schedule 8)		

Source: Government of Nepal, 2015.

According to an analysis of revenue allocations, the federal government is granted the majority of the authority to raise money under the constitution. But this does not imply that all of the money raised by the federal government is spent. Article 60 (2) of the constitution mandates that “the Government of Nepal shall make necessary arrangements for the equitable distribution of the revenue generated by it from its sources, between the federal, province, and local level entities.” As a result, a portion of this revenue is sent to the sub federal units. The National Natural Resources and Fiscal Commission (NNRFC), which was established and is now operating within the parameters specified by the constitution, is another entity designated by the document to oversee fiscal transfers.

Table 5 shows the revenue-raising power assigned to the three tiers of governments. Proper execution of these rights is very important for the effectiveness of federalism. The province and local governments have a duty and responsibility to implement the norms of decentralization for the development of local levels.

This study aims to investigate the status of exclusive and concurrent fiscal rights execution at the federal, provincial, and local levels of Nepal. In order to do that, primary data were collected through FGDs cross-over the nation and analyzed following thematic analysis. The government employees, member of chamber of commerce, members professional unions, member of civil society, students, and general public were incorporated in the discussion. Based on the discussion it is concluded that the value added tax, custom duty and income tax covers more than 80 percent of the revenues, which belongs to federal government. Then the federal government redistribute that revenues to the different provincial and local level government in different headings such as regular grants, and conditional grants. There has provision in the constitution, but the policies and action plan are not

completely formulated and implemented, which has been raised confusion among the three tiers of government. They are escaping the responsibilities stating the responsibilities of other levels government. The people of different provinces have different version some of them stated that people of Karnali Province stated that it should be focused as special province and the federal government should finance for it. They argued that the geography also considered while allocating the grants from the federal government. Whereas, in other FGDs the population density should be the base for grants allocation.

Table 5. Revenue-raising powers by assignment.

	Federal	Provincial	Local
A. Tax Revenue	(1) Custom Duty	(1) House and Land Registration Fee (2) Vehicle Tax (3) Entertainment Tax (4) Advertisement Tax (5) Tax on Agricultural Income	(1) Property Tax
	(2) Excise Duty		(2) House Rent Tax
	(3) Value Added Tax		(3) House and Land Registration Fee
	(4) Corporate Income Tax		(4) Vehicle Tax
	(5) Personal Income Tax		(5) Land Tax (Land Revenue)
	6) Remuneration Tax	(6) Entertainment Tax (7) Advertisement Tax (8) Business Tax	
B. Non-tax Revenue	(1) Passport Fee	(1) Service Fee (2) Tourism Fee (3) Fines and Penalties	(1) Service Fee
	(2) Visa Fee		(2) Tourism Fee
	(3) Tourism Fee		(3) Fines and Penalty
	(4) Service Fee		
	(5) Gambling/Lottery		
	(6) Fines and Penalties		
C. Other Revenue	(1) Other tax and nontax raised/levied according to federal and other prevailing laws.	(1) Other tax and nontax raised/levied according to the provincial law and other prevailing laws on the provincial jurisdiction.	(1) Other tax and nontax raised/levied according to the local law and other prevailing laws on the local government level jurisdiction.

Source: Devkota (2021).

The FGD of Bingunj concluded that around 40 percent of the economic transactions are in informal economy, which should be covered in the tax net by reducing the tax rate. This implies that the tax revenues can be increased by widening the tax brackets by reducing the tax rates. Majority of the FGDs have argued that either the provincial level government should empower by providing revenue generating power otherwise eliminate provincial government. However, the FGD of Birgunj clearly stated that the *Tarai/Madesh* is the major stakeholder of provincial government, it should be enhanced economically, at any cost it should be preserved.

Linkages of Revenue to the Expenditure

The Nepal government has been using single basket system for the revenue collection and expenditure system. The participants suggested that if multiple baskets are created and certain percent of the revenue generated is spent in the same sectors would produce better result. For instance, the revenue generated from road

and vehicles is spent for construction of road and maintenance and same to the other sectors.

Sustainable Development Goals (SDGs)

The government has been set goals for sustainable goals, but the arrangement of revenues is lacking, which has been hindering the completion of project on time. Further the budgets are allocated in small projects rather than focusing on national prioritized projects. Which has been lagging on the achievement of sustainable development goals on time.

Concluding Remarks

Revenue generation	There has provision in the constitution, but the policies and action plan are not completely formulated and implemented. Around 40 percent of the economic transactions are in informal economy, which should be covered in the tax net. Majority of the FGDs have argued that either the provincial level government should empower by providing revenue generating power otherwise eliminate provincial government. However, the FGD of Birgunj clearly stated that the <i>Tarai/Madesh</i> is the major stakeholder of provincial government, it should be enhanced economically, at any cost it should be preserved.
Linkages	Multiple basket system would be better for the completion of projects and economic growth.
Sustainable Development Goals	Should be focused on national prioritized projects rather than allocating funds in small projects.

4. Conclusion

The results show that while government revenue has increased over time, this growth has been accompanied by a substantial rise in public debt and financial liabilities. This suggests economic expansion may be increasingly reliant on borrowing rather than robust domestic revenue mobilization, posing potential risks to long-term fiscal stability.

Expenditure trends further indicate a structural imbalance, with recurrent and financial outlays growing more rapidly than capital investment. This pattern may constrain the government's capacity to fund productive, long-term projects that generate sustainable economic value. Although aggregate revenue and expenditure correlate positively with GDP, the composition and efficiency of spending emerge as significant concerns. Development driven significantly by debt and administrative costs, without a parallel focus on strategic capital investment and fiscal prudence, may not yield stable, enduring growth.

Evidence from stakeholder consultations underscores operational challenges within Nepal's fiscal federal framework. These include ambiguities in the functional and revenue-raising responsibilities across government tiers, limited institutional capacity at provincial and local levels for resource mobilization, and a substantial informal sector that remains outside the formal tax net. Participants

identified key priorities: broadening the tax base, enhancing tax administration, and adopting a more sector-targeted expenditure approach to ensure revenues are visibly reinvested into related public goods and services.

In conclusion, Nepal's fiscal federal structure has created avenues for decentralized governance and broader participatory planning. However, its effectiveness counters on improved intergovernmental coordination, enhanced domestic revenue generation, and more strategic expenditure allocation. Prioritizing capital investment, reducing over-reliance on external borrowing, clarifying and strengthening the fiscal autonomy of sub-national governments, and aligning revenue efforts with nationally prioritized development projects will be critical for achieving sustainable economic growth and the goals outlined in the national development plan.

Ethical Issues and Safety

The research entitled, Fiscal Mechanism of Nepal Government: Revenue Generation Strategies and Expenditure Allocation is the original work of the researchers. The sole responsibility will go to the researchers. If any fault is found regarding the ethical issue, the publication, can take legal action as per the rule of international academic ethic.

Acknowledgements

The fiscal mechanism of a country plays a crucial role in ensuring sustainable development and maintaining financial stability. The revenue generation strategies and expenditure allocation are the major concerns of the fiscal mechanism. This study has analyzed the fiscal mechanism of Nepal, focusing on revenue generation strategies and expenditure allocation connecting with the sixteenth five-year development plan. The University Grants Commission (UGC) provided the financial assistance to this research. Therefore, we are grateful to the UGC Nepal for this support.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

References

- Acharya, K. R. (2017). An Economic Analysis of Government Revenue and Expenditure in Nepal. *Tribhuvan University Journal*, 31, 51-62. <https://doi.org/10.3126/tuj.v31i1-2.25331>
- Adil, S., & Anwar, M. (2015). Impact of Fiscal Decentralization on Economic Growth: The Case of Pakistan. *Journal of Social Sciences (PJSS)*, 35, 91-107.
- Amagoh, F., & Ajab Amin, A. (2012). An Examination of the Impacts of Fiscal Decentralization on Economic Growth. *International Journal of Business Administration*, 3, 72-81. <https://doi.org/10.5430/ijba.v3n6p72>
- Baldwin, R. E., & Krugman, P. (2004). Agglomeration, Integration and Tax Harmonisation. *European Economic Review*, 48, 1-23. [https://doi.org/10.1016/s0014-2921\(02\)00318-5](https://doi.org/10.1016/s0014-2921(02)00318-5)

- Besley, T., & Case, A. (1995). Incumbent Behavior: Vote-Seeking, Tax-Setting, and Yardstick Competition. *American Economic Review*, 85, 25-45.
- Bojanic, A. (2018). The Impact of Fiscal Decentralization on Accountability, Economic Freedom, and Political and Civil Liberties in the Americas. *Economies*, 6, Article 8. <https://doi.org/10.3390/economies6010008>
- Brennan, G., & Buchanan, J. M. (1980). *The Power to Tax: Analytical Foundations of a Fiscal Constitution*. Cambridge University Press.
- Burret, H. T., Feld, L. P., & Schaltegger, C. A. (2022). Fiscal Federalism and Economic Performance New Evidence from Switzerland. *European Journal of Political Economy*, 74, Article ID: 102159. <https://doi.org/10.1016/j.ejpoleco.2021.102159>
- Cai, H., & Treisman, D. (2005). Does Competition for Capital Discipline Governments? Decentralization, Globalization, and Public Policy. *American Economic Review*, 95, 817-830. <https://doi.org/10.1257/0002828054201314>
- Devkota, K. L. (2021). *The Fiscal Architecture of Subnational Governments in Federal Nepal*. International Center for Public Policy Andrew Young School of Policy Studies Georgia State University.
- Dhanasekaran, K. (2001). Government Tax Revenue, Expenditure and Causality: The Experience of India. *Indian Economic Review*, 36, 359-379.
- Ding, Y. (2007). Fiscal Decentralization and Economic Growth in China, 1994-2002. *Journal of Chinese Economic and Business Studies*, 5, 243-260. <https://doi.org/10.1080/14765280701656682>
- Elazar, D. J. (1987). *Exploring Federalism*. University of Alabama Press.
- Government of Nepal (2015). *Constitution of Nepal*. Government of Nepal.
- Goyal, A., & Sharma, B. (2018). Government Expenditure in India: Composition and Multipliers. *Journal of Quantitative Economics*, 16, 47-85. <https://doi.org/10.1007/s40953-018-0122-y>
- Hirschman, A. O. (1970). *Exit, Voice and Loyalty: Responses to Decline in Firms, Organizations, and States*. Harvard University Press.
- IIDS (2020). *Fiscal Federalism in Nepal: Revenue Potential of Provincial and Local Governments and Recommendations to Enhance Own-Source Revenue Generation*. IIDS.
- Kayode, O. (2014). *Fiscal Federalism and Development in Nigeria: An Overview of Core Issues*. <http://Saharare-porte.Com/article/fiscal-federalismand-development-nigeria-core-issues-kayode-oladele>
- Kuntari, Y., Chariri, A., & Prabowo, T. J. W. (2019). Capital Expenditure of Local Governments. *Academy of Accounting and Financial Studies Journal*, 23, 1-13
- Laleye, O., & Oloru, D. (1989). Decentralisation in Africa. *Nigeria Journal of Policy and Strategy*, 11, 87-100.
- Namocha, P. N. (2002). *Public Finance for a Developing Economy: The Nigerian Application*. Bon Publisher Owerri.
- National Planning Commission (NPC) (2023). *16th Developmental Plan (Preliminary Draft)*. Ne-pal Government, National Planning Commission.
- Oates, W. E. (1999). An Essay on Fiscal Federalism. *Journal of Economic Literature*, 37, 1120-1149. <https://doi.org/10.1257/jel.37.3.1120>
- Ola, R. O. F., & Offiong, O. J. (1999). Public Financial Management in Nigeria. *Amfitop Books: Okota-Isolo, Lagos*, 1, 112-123.
- Painter, G., & Bae, K. (2001). The Changing Determinants of State Expenditure in the

United States: 1965-1992. *Public Finance and Management*, 1, 370-393.

<https://doi.org/10.1177/152397210100100407>

Robbins, S. P. (1998). *Organizational Behavior, Concepts, Controversies, Applications*. Prentice-Hall.

Saunoris, J. W. (2013). The Dynamics of the Revenue-Expenditure Nexus: Evidence from US State Government Finance. *Public Finance Review*, 43, 108-134.

<https://doi.org/10.1177/1091142113515051>

Ullah, N. (2016). *The Relationship of Government Revenue and Government Expenditure: A Case Study of Malaysia*. International Center for Education Islamic Finance.

<https://mpira.ub.uni-muenchen.de/69123/>

World Bank (2023). *Nepalese Fiscal Federalism Update*. World Bank.