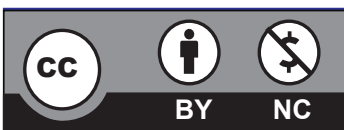


## Agribusiness Opportunity for Rural Development in Nepal

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### Abstract

The article explores the pivotal role of agribusiness in Nepal's economic landscape, particularly its potential for fostering rural development. It highlights the significant yet challenged contribution of agriculture to Nepal's GDP and employment. The objective is to analyze agribusiness's economic impact and its potential to drive rural development. The statement of the problem addresses issues such as inadequate infrastructure, limited market access, and insufficient financial resources that hinder agribusiness's effectiveness. Methodologically, the study utilizes secondary data, analyzing statistical data, scientific articles, and books to assess Nepal's agricultural sector's contribution to the economy. The discussion underscores the importance of transforming subsistence farming into commercial farming to enhance productivity and market integration, thereby promoting rural development. The conclusion emphasizes the need for targeted policies and investments to address these challenges and harness agribusiness's full potential for economic growth and rural development in Nepal. The diverse agro-climatic conditions in Nepal support various agricultural activities, providing a strong foundation for developing a vibrant agribusiness sector. By leveraging these opportunities and addressing challenges such as global competition and technological costs, Nepal can enhance its agribusiness sector, drive rural development, and boost overall economic growth.

**Keywords:** agribusiness, rural development, economic growth, market development

## Introduction

Agribusiness plays a pivotal role in Nepal's economic landscape, particularly in fostering rural development. Despite agriculture being the mainstay of the Nepalese economy—employing around 65% of the population and contributing approximately 27% to the GDP—the sector faces significant challenges that limit its potential. These challenges include low productivity, fragmented landholdings, inadequate infrastructure, and limited access to markets and modern agricultural technologies. Consequently, Nepal remains heavily dependent on the importation of agricultural goods to meet domestic demand. For instance, in the fiscal year 2020-21, Nepal imported vegetable fats and oils worth Rs 82.90 billion, cereals worth Rs 79.59 billion, and vegetables worth Rs 38.50 billion, underscoring the gaps in domestic production and market integration (CBS, 2022). Budget gap is an issue of our economy where foreign aids contribution and movements (Mishra & Aithal, 2021 a&b) are used as tool but agriculture may further analyzed to strengthen the same through advanced agriculture tools such virtual agriculture (Mishra, Nepal & Aithal,2022).

The agricultural sector is crucial for the economies of least developed countries (LDCs), contributing significantly to GDP (between 30% and 60% in roughly two-thirds of LDCs), employing a sizable portion of the labor force (between 40% and 90%), and providing essential food supplies. Strong forward and backward linkages between agriculture and other sectors spur growth and generate income (FAO, 2002). In Nepal, the importance of agriculture is particularly pronounced, as most of the poor engaged in this sector reside in rural areas. The dual roles of industry and agriculture are vital for economic growth, as industrialization is often viewed as the primary engine of growth, while agriculture provides employment, income, and diversification opportunities (Pawa, 2013).

Despite its significant role, the agricultural sector in Nepal is characterized by stagnation. While agriculture employs two-thirds of the economically active population, it contributes

only about one-third of GDP. Non-agricultural productivity has consistently outpaced agricultural productivity, with the latter lagging behind despite a significant portion of the labor force being engaged in farming (ADB, 2010).

Statistics indicate that while the agricultural sector employs 66% of the population, it encompasses a diverse range of employment types, from subsistence farming to small-scale enterprise farming. The more commercial aspects of farming, including smallholdings, have contributed to poverty alleviation through remittances, while subsistence farming has primarily served as a survival mechanism (ILO, 2019). However, Nepal's agricultural trade is in deficit, with import growth outpacing export growth, resulting in an increase in the agricultural trade deficit from \$124 million to \$373 million over time (ADS, 2015).

The majority of Nepal's exports consist of a select group of manufactured and agricultural items, with the export market concentrated in a few countries, including India, the United States, and Europe (ADS, 2015). High-value agricultural products, such as ginger, orthodox tea, and large black cardamom, are also exported, but the overall contribution of agriculture to the economy remains limited.

Given these challenges, agribusiness presents a significant opportunity for development in Nepal. The agricultural sector engages approximately 70% of the population and contributes around 25% to the national GDP, despite a declining trend in its share over the years. This situation underscores the urgent need for strategic interventions to revitalize agribusiness and enhance its role in economic growth and rural development.

Enhancing agricultural productivity is essential for poverty alleviation and broader economic growth. Chaudhary and Mishra (2021) analyzed the impact of agriculture on Nepal's economic development using statistical models, revealing that while the agricultural sector's contribution to GDP has been decreasing, it still plays a crucial role in employment generation. Mishra (2024) emphasizes the importance of government investment in agriculture,

advocating for policies that prioritize agribusiness development. Investments in infrastructure, technology, and market access are essential to transform subsistence farming into a more commercially viable sector.

Despite its potential, the agribusiness sector in Nepal faces several challenges, including inadequate infrastructure, limited market access, and insufficient financial resources. These barriers prevent farmers from maximizing their productivity and integrating into larger markets. Mishra and Aithal (2021) highlight that foreign aid and government support have not been effectively utilized, resulting in a lack of modernization and mechanization in farming practices.

However, Nepal's diverse agro-climatic conditions provide a robust foundation for various agricultural activities, from traditional crops to high-value products. By leveraging these conditions and addressing existing challenges, Nepal can enhance its agribusiness sector. The transition from subsistence to commercial farming can lead to increased market integration, higher incomes for farmers, and overall economic growth.

The agribusiness sector in Nepal holds significant potential for driving economic development and rural upliftment. Targeted government policies and investments are necessary to overcome the challenges faced by the sector. By focusing on infrastructure development, market access, and financial support, Nepal can harness the full potential of agribusiness, ultimately contributing to a more prosperous and equitable economy. The findings from Chaudhary and Mishra (2021) and other relevant studies underscore the need for a concerted effort to revitalize agriculture as a key driver of economic growth in Nepal.

### **Rational of the Study**

Despite agriculture's significant contribution to Nepal's GDP and its role as the primary employment sector, the industry remains largely stagnant, characterized by a subsistence-level operation and minimal productivity growth. This stagnation is starkly illustrated by Nepal's heavy reliance on the importation of agricultural goods to

meet domestic demand. In the fiscal year 2020-21 alone, Nepal imported vegetable fats and oils worth Rs 82.90 billion, cereals worth Rs 79.59 billion, and vegetables worth Rs 38.50 billion. These figures highlight a substantial gap between local production capabilities and consumption needs, underscoring an urgent need to enhance local agricultural productivity and market integration to reduce the trade deficit and ensure food security.

The agribusiness sector in Nepal faces multiple structural challenges that impede its growth and effectiveness. Key issues include inadequate infrastructure, limited access to modern agricultural technologies, fragmented landholdings, and insufficient financial resources. These challenges contribute to low productivity, preventing local producers from effectively competing with imported products. Furthermore, the lack of adequate market infrastructure, insufficient market information, and the dominance of middlemen exacerbate the difficulties faced by local producers seeking to integrate into national and international markets. Addressing these barriers is critical to unlocking the potential of Nepal's agribusiness sector.

Transforming Nepal's agriculture from subsistence farming to a more commercial model is essential for economic development. Targeted policies and investments are necessary to address the structural challenges currently hindering the sector. The government of Nepal has recognized the importance of commercialization, diversification, and private sector involvement in agriculture. However, achieving these goals requires comprehensive efforts to improve infrastructure, enhance access to technology, and increase financial resources, alongside strong policy support to foster a vibrant and sustainable agribusiness sector.

The urgency of this study arises from the pressing need to identify effective strategies that can revitalize Nepal's agricultural sector. With a significant portion of the population dependent on agriculture for their livelihoods, improving agricultural productivity is not only vital for economic growth but also for poverty alleviation

and rural development. The current trajectory of increasing agricultural imports and declining domestic production poses a serious threat to food security and economic stability. Therefore, this study aims to provide actionable insights and recommendations to enhance the competitiveness and sustainability of Nepal's agribusiness sector, ultimately contributing to a more resilient and self-sufficient economy.

### **Objective of the Research**

The main objective of this study is to analyze the economic contribution of agribusiness to Nepal's economy, focusing on how it can drive rural development and impact on GDP and trade balance.

### **Methodology**

The study employs an extensive methodology to analyze the economic contribution of agribusiness to Nepal's economy, particularly focusing on its role in driving rural development. The methodology is structured around the following key components:

#### **Data Collection**

The study primarily utilizes secondary public data sourced from various family-related organizations, government reports, and reputable academic publications. This data encompasses a comprehensive compilation of statistical information, scientific articles, and books relevant to Nepal's agricultural sector.

#### **Data Analysis**

##### ***Current State of Agribusiness***

The analysis begins with an examination of the current state of agribusiness in Nepal. This includes a review of existing literature and statistical data to assess the overall health and performance of the agricultural sector, including employment rates, productivity levels, and the economic contributions of various agricultural sub-sectors.

##### ***Economic Impact Assessment***

The study assesses the economic impact of agribusiness on Nepal's GDP and trade balance. This involves analyzing historical data to identify trends in agricultural output and its correlation with GDP

growth. Additionally, the research examines the agricultural trade balance by comparing import and export figures over recent fiscal years, highlighting the dependency on agricultural imports and the implications for the national economy.

##### ***Comparative Analysis***

A comparative analysis is conducted to evaluate Nepal's agricultural performance against global indicators. This includes benchmarking Nepal's agribusiness metrics with those of other countries, particularly within the context of developing nations. The analysis focuses on identifying competitive advantages and areas for improvement.

##### ***Trade Trends and Balances***

The study includes a detailed examination of Nepal's agricultural trade, where tabulated data is used to compare trade balances and analyze trading trends. This involves assessing the types of agricultural products imported and exported, the primary trading partners, and the overall impact of trade on the domestic agricultural economy.

##### ***Opportunities and Challenges***

The research identifies potential opportunities and challenges for agribusiness in driving rural development. This involves analyzing factors such as market access, technological advancements, infrastructure development, and government policies that can either facilitate or hinder agribusiness growth.

Finally, the analyses is presented using Advantages (A), Benefits (B), Constraints (C), Disadvantages (D), and Enforcements (E). So, it is called partial ABCDE technique (Ghimire, M., Mishra, A. K., bolar, J. & Aithal, P. S., 2024). The study provides actionable recommendations aimed at enhancing agribusiness in Nepal. These recommendations focus on strategies to improve productivity, increase market access, and foster a conducive environment for agribusiness development, ultimately contributing to rural upliftment and economic growth. By integrating these methodologies, the study aims to specify how the competitive edge of Nepal's agricultural sector contributes to the overall economy, providing

a comprehensive understanding of the role of agribusiness in national development.

### Literature Review

Three fundamental complementary components are essential for an employment- and agriculture-based strategy of economic development: (1) accelerated output growth through technological, institutional, and price incentive changes aimed at increasing small farmers' productivity; (2) rising domestic demand for agricultural output resulting from an employment-focused, urban development strategy; and (3) diversified, non-agricultural, labor-intensive rural development activities that directly impact employment. Consequently, many economists now recognize agricultural and rural development as crucial for national advancement. Without coordinated rural development, industrial growth may be stifled or lead to significant internal economic imbalances (Todaro & Smith, 2015, p. 438).

Despite some neo-Malthusian predictions of imminent global food shortages, agricultural production has successfully kept pace with the rising world population, particularly in developing countries. According to World Bank estimates, from 1980 to 2004, the value of agricultural output in developing nations grew at a rate of 2.6% per year, compared to only 0.9% in industrialized countries. This growth resulted in an increase in the share of global agricultural GDP from 56% to 65% for emerging economies during this period, a stark contrast to their share of global non-agricultural GDP, which was only 21%. This growth gap has continued to widen since 2005 (Todaro & Smith, 2015, p. 440).

In many developing nations, the ongoing transformation of agriculture has significant macroeconomic and microeconomic implications. As reported by the World Bank, agriculture accounted for 25% of the gross domestic product (GDP) of low-income countries, making it the largest sector in many of these nations. Additionally, over 70% of the population in these low-income countries resides in rural areas. Although not all

rural households rely on farming as their primary income source, the concentration of income in rural areas highlights that poverty is disproportionately prevalent among the populations of the world's poorest nations (Perkins, 2013, p. 584).

Historically, agriculture has been viewed as a source of inexpensive resources—primarily labor and capital—that can be extracted and utilized in modern industry and services. This perspective has often led policymakers to overlook agriculture, perceiving it as a traditional, low-productivity sector with minimal contributions to industrialization. Despite the refutation of this view by subsequent theories, it remains true that as economies develop, agriculture tends to contribute less to GDP and employment. This trend is part of a broader concept known as structural transformation (Perkins, 2013, p. 587).

Rostow (1959), a principal advocate of the economic growth model, emphasizes that the technical advancements required for economic development necessitate prior or concurrent changes in non-economic dimensions of traditional society. These include a willingness among the agricultural community to adopt new methods, the emergence of industrial entrepreneurs, and the encouragement of these new entrepreneurs to innovate and expand.

In the context of Nepal, an agriculturally based nation, agriculture and its products significantly contribute to the country's GDP. This study aims to examine the economic contributions of various sectors by analyzing recent data from Nepal and comparing agricultural output and trade trends for future predictions. The government of Nepal places strong emphasis on the commercialization, diversification, and promotion of the agricultural sector, encouraging private sector involvement in commercial farming. It is recognized that farmers' living standards will not improve unless agriculture transitions from subsistence farming to commercial farming. By fostering the production of competitive and market-oriented agricultural products, the government seeks to reduce poverty (Keshelashvili, 2018).

However, significant challenges persist

within Nepal's agribusiness sector, as highlighted by Parsai (2021). The fiscal year 2020-21 saw high import values for key agricultural commodities: vegetable fats and oils at Rs 82.90 billion, cereals at Rs 79.59 billion, and vegetables at Rs 38.50 billion. These figures indicate a heavy reliance on foreign markets to meet domestic demand, suggesting that local production is insufficient and unable to compete with imports.

The reliance on imported cereals, vegetables, and other staples reflects low productivity in Nepal's agricultural sector, driven by factors such as limited access to modern agricultural technologies, inadequate infrastructure, and fragmented landholdings that hinder economies of scale. The importation of diverse agricultural products, including fruits and nuts (Rs 21.34 billion), sugar and confectionery (Rs 12.26 billion), and coffee, tea, and spices (Rs 9.49 billion), underscores the lack of effective integration of local producers into national and international markets. This issue is compounded by inadequate market infrastructure, insufficient access to market information, and the dominance of middlemen, which further restrict local farmers' ability to compete effectively.

In summary, addressing these challenges through targeted policies and investments is crucial for enhancing the agricultural sector's productivity and competitiveness in Nepal. By fostering a more integrated and market-oriented agribusiness environment, Nepal can leverage its agricultural potential to drive economic growth and improve rural livelihoods.

## **Findings and Discussion**

### **Agriculture and Economy of Nepal**

FAO, (2002) concludes that the main characteristic of economic growth in low- and middle-income nations is economic transformation. The country is changing from one that is primarily rural and agricultural to one where the economy is dominated by urban industries and services. A shift in the demographics goes along with it. The rate of population increase first quickens, then slows, and then drops. Health and longevity increase significantly. Rapid expansion in the big agricultural sector has a significant influence on the

overall growth rate, the reduction in poverty, and the rate of economic transformation in low-income nations.

Despite agriculture being a vital sector, it has remained largely at a subsistence level and fairly stagnant in terms of productivity growth. Its share of GDP declined to 27 percent in 2019, but it employs about 57 percent of the working-age population according to the National Population Census 2011 (NPC, 2020).

Agriculture is the mainstay of Nepal's economy. It comprises one-third of the nation's GDP and employs two-thirds of the population. Among Nepal's natural gifts are agricultural diversity and varied topographical, altitudinal, and temporal conditions, making the land suitable for, among others, medicinal herbs and essential oils (IBN, 2020). Despite being a major contributor to the nation's economy, Nepal's agricultural sector depends heavily on the annual monsoon rains. Between 2011/12 and 2015/16 the agricultural sector's growth rate was static at 2.41%. Over the last five decades, population growth has increased and put pressure on productivity. One result of this pressure has been a decrease in the average size of land holdings from 1.1 hectares to 0.7 hectares.<sup>2</sup> While Nepal imported agricultural products worth \$1.298 billion in the fiscal year 2013/14, its exports amounted to only \$ 268.91 million (IBN, 2020).

The Government has given a high priority to agriculture since the first national five-year plan in the mid-1950s. From 1995 to 2015, the Agriculture Perspective Plan helped to commercialize and modernize the sector. Yet it continues to have several underlying structural drains on productivity. Inadequate irrigation and transportation infrastructure, small farm sizes and absentee landlordism, the feminization of agriculture, poor access to and low adoption rates of modern farm inputs and technology, weak service delivery mechanisms, limited investment in agricultural research, weak promotion of agribusiness development, and coordination failures are a few of these (NPC, 2020). There is talk of restricting agriculture in some places.

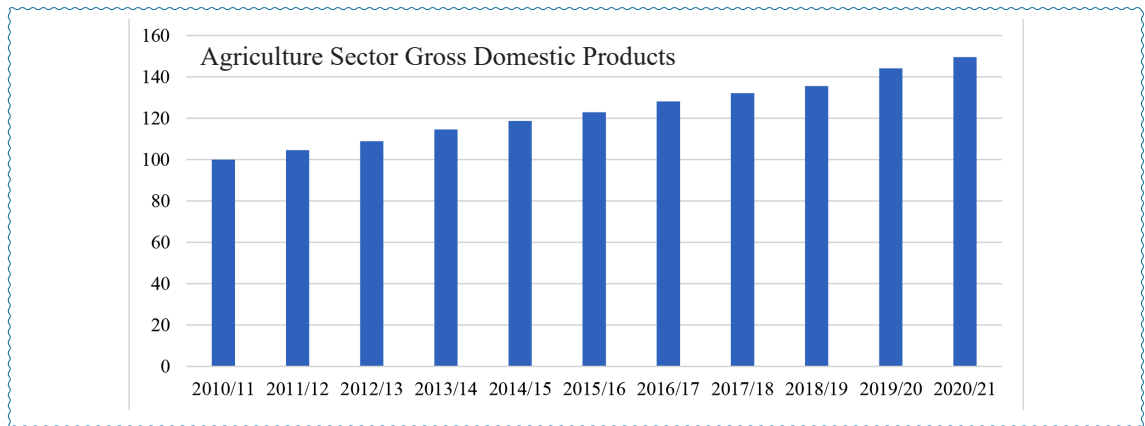
Regarding the indicator related to the

agriculture sector, among rural households, 29 percent are landless. The distribution of land is highly unequal with a Gini coefficient of 0.65, especially in the Tarai.<sup>265</sup> Year-round irrigation facilities are limited to only 25.2 percent of total irrigable land,<sup>266</sup> while fertilizer usage is very low at 50 kilograms per hectare compared to South Asia regional rates of 150 to 200. Investment in agricultural research has remained less than

0.3 percent of agricultural GDP, far beneath the internationally recommended 1 percent.<sup>267</sup> The share of crops produced for the market is low, averaging about 10 percent in the hills and mountains and 20 percent in the Tarai. Increased use of technology in it has been set by a decline in technical efficiency, suggesting that farmers are not appropriately using it, (NPC, 2020), In this way, the most terrible picture seems to be a very low

**Figure 1**

*Agriculture Sector Gross Domestic Products, (CBS, 2021)*

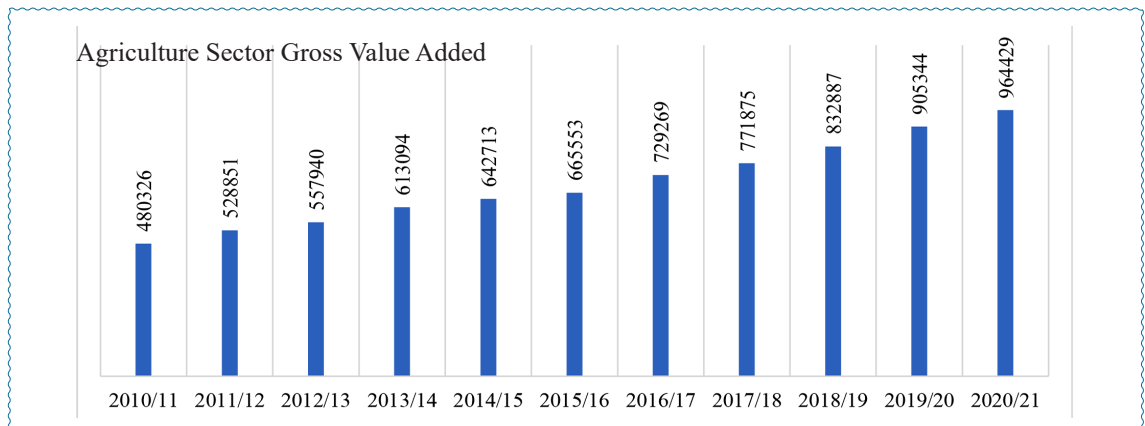


According to the government of Nepal (2023), agricultural sector gross domestic product data defined, base value year 2010/11 is going to increase order. In the fiscal year 2020/21, the contribution of agriculture, industry, and service sectors to the growth of GDP (at basic prices) is

estimated to be 20.2 percent, 19.6 percent, and 60.2 percent, respectively. In the last fiscal year, the contribution of the agriculture sector was 30.7 percent while the contribution of the industry and service sectors was negative by 27.4 percent and 103.2 percent, respectively.

**Figure 2**

*Agriculture Sector Gross Value Added, CBS (2021)*



Beyond the export of raw material, figure: 2 shows the agriculture sector value added position status. According to CBS (2021), the trend of agriculture sector value added position is going increase order. Analyzing the data for period on one decade seems to change order, in terms of processing factories are processed the raw material. From this situation, the agriculture sector GDP is also increasing order. In the same way, the agriculture sector contribution of Nepal between 2011 to 2021. Based on the data out of the decade 5.29 is in 2011 and 2020 is going to decrease order 2.64. In the same way, the figure shows the annual growth rate of GDP by economic activities of the agriculture sector. The figure shows that over decade indicators. Based on the data 2012, 2014, 201 and 5 is the very low GDP contribution by agriculture activities and it's the same as also 19/20.

The gross value added of the agriculture and non-agriculture sectors is projected to rise by 2.64 percent and 4.57 percent, respectively, in the fiscal year 2020/21, according to the economic survey report from the previous year. The gross value added of the agricultural sector increased by 2.23 percent in the most recent fiscal year, while the gross value added of the nonagricultural sector decreased by 3.91 percent. According to estimates, the gross value added of fisheries grew in the fiscal

**Table 1**

*Import Agriculture Goods in 2021/022, Rs in Billion*

Agriculture Goods	Import, Rs in billion
Vegetable fats&Oils	82.90
Cereals	79.59
Vegetables	38.50
Fertilizers	22.82
Food Industries & animal fodder	22.03
Fruit and nuts	21.34
Oil seeds	20.64
Sugar & confectionery	12.26
Cotton	10.41
Coffee, tea & spices	9.49
Dairy, eggs & honey	1.99
Fish	1.69
Animal & Meat	1.63

year 2020/21 compared to the fiscal year 2019/20, while paddy output increased by 1.3 percent in the agricultural sector (Economic Survey, 2020). There is mentioned on, the contribution of the non-agricultural sector to the gross value added is increasing while the contribution of the agriculture sector is decreasing. In the fiscal year 2020/21, the contribution of the agriculture sector to gross value added is estimated to be 25.8 percent, and non-agricultural sector 74.2 percent. In the fiscal year 2019/20, such contributions were 26.2 percent and 73.8 percent, respectively, (Government of Nepal, 2020).

### Agribusiness Nepal

Prasai (2021) published the present condition of the agriculture sector in Nepal. The Himalayan nation increased the cost of importing agricultural items by 30% year over year, bringing the total to a startling Rs325 billion. In the previous fiscal year 2019–20, Nepal imported agricultural products worth just over Rs250 billion. According to data issued by the Department of Customs, agricultural commodities imports surged by more than 30%, bringing the total import bill to 21 percent, while the nation's overall imports jumped by 28.66% to Rs1.53 trillion in the most recent fiscal year. Increased purchases of edible oil were a major factor in the sharp rise in imports. Edible oil imports increased by Rs32.66 billion to Rs82.90 billion in just one year.

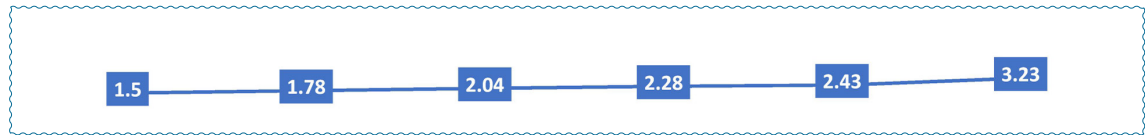


In this context, the World Bank published the economic sector contribution of agriculture raw materials exports (% of merchandise exports) in Nepal. The agriculture raw material export data in between 2011- 2019. Over the one decade data is

not significantly seem to be the same and no more change and 2019 is the poorest situation. The data shows that in 2011 exported 3.236 and in 2018 was highest exported 4.308%, but in 2019 the data goes down to 1.91.

**Figure 3**

*Agriculture Goods Import Statute, Department of Customs, 2021*



The above figure shows the increasing order of the agriculture import in Nepal by India. The indicator shows that in 2015, that was only 1.5 trillion, the train is going increase every year and in 2021 its multiply more than double.

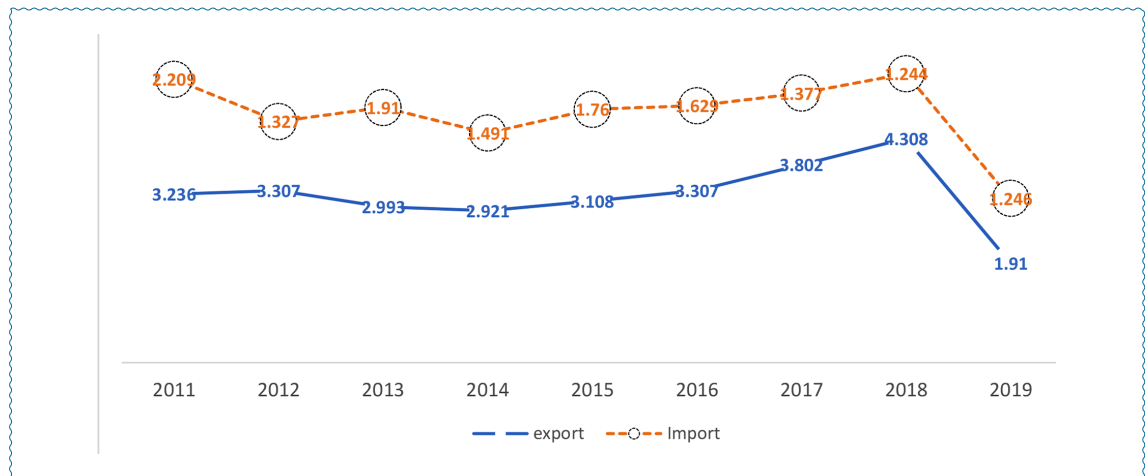
farming and two-thirds of its population dependent on agriculture, Nepal’s annual food imports (e.g., rice, vegetables, fruits) have increased to Rs 3.23 trillion in 2020, which is three times higher than 2014 (Kumar, 2021)

Describes on the agriculture sector in Nepal, the services sector had the highest gross value added (GVA) at 61% followed by agriculture and industry at 26% and 13%, respectively. It should be noted though that despite having fertile land ideal for

Meanwhile, the import data of agriculture production-related goods seems to be not more than export. Figure 5 shows the over-decade export and import trend show.

**Figure 4**

*Export and Import Agriculture Raw Material Data, World Bank, 2019*



**Export Potentially Commodities**

The potential for Nepal to export agricultural commodities to developing countries hinges on the competitiveness of its agricultural sector. Agribusiness emerges as a promising subsector for commercializing agriculture due to its

extensive backward and forward linkages, as well as opportunities to develop high-value niche products and horticulture that can stimulate growth and employment. Given that a vast majority of the population is engaged in agriculture, creating markets within high-potential agribusiness value

chains could facilitate a structural transformation towards higher value-added activities. Nepal possesses unique agricultural products that align well with global market trends, particularly the increasing demand for organic foods. The country has comparative advantages in resource- and labor-intensive exports, including dried vegetables, coffee, tea, ginger, cardamom, and various root vegetables. Additionally, there is significant potential for import replacement in sectors such as vegetables, fruits, beverages, dairy, and meat. Notably, spices, fruit juices, and tea are already among the largest export-generating and fastest-growing agribusiness subsectors. Fresh apples, coffee, honey, and cut flowers also show promise, given Nepal's favorable agro-climatic conditions (NPC, 2020). However, the National Planning Commission (NPC) has identified several agribusiness sectors with potential for promoting exportable goods through value addition and low labor intensity. To harness this potential, it is imperative to transform agriculture through commercialization and modernization.

### **Key Areas for Transformation**

#### ***Land Reform***

Effective land reform is critical. It should be linked to the market system, ensuring that landless and vulnerable populations receive minimum holdings essential for their livelihoods. This approach will help eliminate hunger and ensure that no one is left behind. Establishing a land bank that provides loans against land as collateral for those willing to adopt agriculture as their occupation is also essential. Successful land reform requires strong political will and determination, particularly in addressing issues of land ceilings and absentee landlordism.

#### ***Improved Agricultural Inputs and Infrastructure***

The delivery of quality agricultural inputs, technology, and extension services must be enhanced. Infrastructure improvements will facilitate agricultural diversification and commercialization. Both input and output commercialization should be prioritized, with a focus on market development and expansion in

areas adjacent to farming communities, leveraging new digital opportunities. Reforming the government fertilizer subsidy program to ensure effective targeting and implementing a national seed development program to supply farmers with improved varieties are crucial steps.

#### ***Market Support Policies***

Implementing market support policies can promote commercial farming by improving regulations, introducing quality standards, and encouraging contract farming to increase agricultural returns (NPC, 2020).

The transformation of Nepal's agricultural sector is not merely an economic necessity; it is a vital step towards ensuring food security, reducing poverty, and achieving sustainable rural development. By addressing the challenges of land reform, input delivery, and market access, Nepal can unlock the full potential of its agribusiness sector. This will not only enhance local production capabilities but also position Nepal as a competitive player in the global agricultural market, ultimately benefiting the economy and improving the livelihoods of its agricultural workforce.

#### ***The Agribusiness Opportunity in Nepal***

The agribusiness sector in Nepal presents a significant opportunity for driving rural development and economic growth. The country's diverse agro-climatic conditions are suitable for a wide range of agricultural activities, including crop production, horticulture, livestock rearing, and fisheries. These conditions provide a strong foundation for developing a vibrant agribusiness sector that can add value to agricultural products, improve market access, and enhance the livelihoods of rural communities. In this context, the Government of Nepal has recognized the importance of agribusiness for rural development and has implemented various policies and programs to support the sector. The Agricultural Development Strategy (ADS) 2015-2035 outlines a comprehensive plan to modernize and commercialize agriculture, focusing on increasing productivity, promoting agribusiness, and improving rural infrastructure (MoALD, 2024).

As the middle-income group expands, the need for high-quality food will increase significantly, and the agro-industry sector is anticipated to rise even more. Diverse lifestyles, varying culinary preferences, and the impact of globalization on socio-economic development all contribute to the need for processed foods. From raw materials to processed industrial items, export structures have changed, introducing contemporary management techniques and technologies from industrialized nations. This presents an opportunity for creating joint ventures with overseas businesses (Piya, 2012). Regmi and Naharki (2020) argue that with innovations, management know-how, and technology, agribusiness entrepreneurship may emerge as a significant player in the economy and a tool for rural development. The diversified climatic conditions, rich biodiversity, export potential, shifting consumer food consumption patterns, and niche-specificity of Nepal's economy all support the growth of agribusiness entrepreneurship in the face of intense competition. They highlight several opportunities that can be taken advantage of to improve agribusiness entrepreneurship in Nepal, including agro-processing industries, agrotourism, beekeeping, diversification, export potential, and floriculture.

### **Challenges and the Way Forward**

While there are significant opportunities, the agribusiness sector in Nepal also faces serious challenges posed by several issues, including climate change, global competitiveness, the high cost of modern technology, unfair trade practices, and the brain drain of skilled workers (Regmi & Naharki, 2020). To unlock the full growth trajectory of its agribusiness value chain, Nepal must focus on technology adoption, infrastructure development, market access, sustainability, and inclusive practices. Bhandari (2024) argues that as the agribusiness landscape changes, it is crucial to conduct ongoing research and work together to address the gaps and difficulties that have been found. By leveraging these opportunities and addressing the challenges, Nepal can develop a robust agribusiness sector that drives rural development, enhances food security, and

contributes to overall economic growth. The government's commitment to supporting the sector through policies and programs, such as the ADS, provides a strong foundation for the future of agribusiness in Nepal.

### **Advantages of Agribusiness in Nepal**

Agribusiness presents significant advantages for Nepal's economic development. The country's diverse agro-climatic conditions support a wide range of agricultural activities, providing a strong foundation for developing a vibrant agribusiness sector. As the middle-income group expands, the demand for high-quality food will increase, and the agro-industry sector is anticipated to rise even more. Agribusiness entrepreneurship can emerge as a significant player in the economy and a tool for rural development, leveraging innovations, management know-how, and technology.

### **Benefits of Agribusiness**

The benefits of agribusiness in Nepal are multifaceted. It has the potential to drive rural development, enhance food security, and contribute to overall economic growth. Agribusiness can create markets within high-potential value chains, facilitating a structural transformation towards higher value-added activities. The sector offers opportunities for developing high-value niche products and horticulture that can stimulate growth and employment.

### **Constraints of Agribusiness**

Despite the advantages and benefits, agribusiness in Nepal faces several constraints. The sector is characterized by low productivity, fragmented landholdings, inadequate infrastructure, and limited access to markets and modern agricultural technologies. The lack of effective targeting and implementation of government fertilizer subsidy programs has hindered agricultural advancements. Frequent policy shifts without proper impact analysis have resulted in devastating consequences for the sector.

### **Disadvantages of Agribusiness**

The disadvantages of agribusiness in Nepal include the country's heavy reliance on agricultural imports to meet domestic demand.

This dependency underscores the gaps in local production capabilities and the inability to compete with imported products. The domination of intermediaries in the agricultural sector has made it the most unprofitable sector for investment. The massive urbanization of agricultural land is another disadvantage, contributing to the decrease in agricultural products.

### **Enforcement Measures**

To address the constraints and disadvantages, enforcement measures are necessary. Targeted government policies and investments are crucial for enhancing agribusiness in Nepal. Mishra (2024) emphasizes the importance of government investment in agriculture, advocating for policies that prioritize agribusiness development. Investments in infrastructure, technology, and market access are essential to transform subsistence farming into a more commercially viable sector.

Chaudhary and Mishra (2021) analyzed the impact of agriculture on Nepal's economic development using statistical models, revealing that enhancing agricultural productivity could significantly reduce poverty levels. By focusing on technology adoption, infrastructure development, market access, sustainability, and inclusive practices, Nepal can unlock the full growth trajectory of its agribusiness value chain.

### **Conclusion**

Nepal's economic development has been intricately linked to its agricultural sector since the inception of planned development in 2013 B.S. The implementation of the Agriculture Development Strategy (ADS) 2015-2035, following the Agriculture Perspective Plan, underscores the government's commitment to bolstering this vital sector. The ADS aims to enhance agricultural exports and promote agribusiness, which is expected to significantly contribute to GDP and employment. Despite agriculture employing approximately 65% of the population and contributing about 27% to the GDP, the sector faces considerable challenges, particularly due to high agricultural imports. The fiscal year 2021-2022 budget prioritizes agriculture; however, the trade balance reflects a

worrying trend of increasing imports, indicating a critical need for strategic interventions.

### **The Need for Transformation**

To address these challenges, it is essential to transform subsistence farming into commercial farming. This transformation is crucial for enhancing productivity and market integration. By tackling issues such as inadequate infrastructure, limited market access, and insufficient financial resources, targeted policies and investments can help unlock the full potential of agribusiness for economic growth and rural development in Nepal.

### **Leveraging Agro-Climatic Diversity**

Nepal's diverse agro-climatic conditions provide a strong foundation for developing a vibrant agribusiness sector. This sector can play a pivotal role in reducing poverty, improving trade balances, and boosting overall economic growth. The potential for high-value niche products, such as organic foods, aligns well with global market trends and can significantly contribute to poverty alleviation and improved trade balances.

### **Addressing Structural Challenges**

However, the agribusiness sector faces several structural challenges that must be addressed to realize its full potential. The heavy reliance on agricultural imports highlights significant gaps in local production capabilities and the inability to compete effectively with imported products. Additionally, the domination of intermediaries in the agricultural sector has made it one of the least profitable sectors for investment. The urbanization of agricultural land and the out-migration of the workforce in search of better opportunities further exacerbate these issues.

### **Policy and Investment Imperatives**

To overcome these barriers, the government must enforce supportive policies that prioritize agricultural development. This includes increasing investments in infrastructure, research and development, and the commercialization of agricultural practices. The commitment to enhancing agricultural productivity through the ADS is a positive step, but it must be complemented by a comprehensive approach that includes

stakeholder engagement and the establishment of a robust support system for farmers.

In brief, while agriculture remains a critical sector for Nepal's economy, there is an urgent need for strategies to reduce dependency on imports and enhance domestic production. By focusing on the transformation of subsistence farming into a more commercially viable sector, Nepal can unlock the full potential of its agribusiness. The diverse agro-climatic conditions provide a strong foundation for developing a vibrant agribusiness sector that can contribute to reducing poverty, improving trade balances, and boosting overall economic growth. The government must prioritize the implementation of effective policies and investments to foster a sustainable and resilient agricultural sector, ensuring that it continues to play a vital role in the nation's economic development.

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