

PRICING POLICY OF
MANUFACTURING PUBLIC ENTERPRISES
IN NEPAL

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**PRICING POLICY OF
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AUGUST 1983

CERTIFICATE



**CERTIFIED that the work incorporated in thesis
"Pricing Policy of Manufacturing Public Enterprises
in Nepal" submitted by Mr. Jaya Krishna Pathak was
carried out by the candidate under my supervision.
Such material as has been obtained from other sources
has been duly acknowledged in the thesis.**

B.S.R. Rao

**B.S.R. Rao
Supervisor**

DEDICATED

TO THE MEMORY OF MY FATHER

**Whose affectionate blessings and wise
counsel have ever inspired me in my
academic pursuits and to whom I owe
everything in life**

PREFACE

After the overthrow of the feudalistic Rana regime in 1951, all new governments in Nepal have put the maximum emphasis upon the growth and development of the national economy. For this, Nepal has adopted the "mixed economy model" where both the public and private sectors are expected to work harmoniously. Accordingly, a number of enterprises have been established under the sponsorship and ownership of the government in various sectors of the national economy. But the development and growth of the corporate form of organization in the public sector depend crucially upon its ability to respond successfully to challenges inherent in the process of economic and social development.

As economic institutions, public enterprises both from the point of view of survival and growth will have to achieve financial viability from their operations. Moreover, His Majesty's Government of Nepal has also deliberately envisaged these enterprises as the instrument of mobilising resources in the country. This objective has been explicitly mentioned in various plan documents of the country since the formulation of the Second Plan in 1962. Further, HMG has issued a circular to all the public enterprises in June 1980 to earn a certain rate of return on their capital employed. Earning a fair rate of return on assets is, therefore, one of the desiderata of public enterprises in Nepal. In this context a study of the

pricing policies followed by the enterprises, the effectiveness of those policies and any changes required to be effected in these policies in the light of the past experience is of utmost importance. Such an analysis would throw light on the relationship between pricing policy and profitability, other factors assuming to be constant, and on the measures that may have to be taken to improve the profitability to fulfil the expectations of the government. However, no studies have been undertaken so far as to why profitability has been poor, and the factors responsible for such a state of affairs including a critical examination of the pricing policy.

The desire to probe into the above situation prompted me to choose the topic "Pricing Policy of Manufacturing Public Enterprises in Nepal". I am extremely grateful to Professor B.S.R. Rao, Reserve Bank of India Professor of Finance at Gokhale Institute of Politics and Economics, for his constant encouragement, patient guidance, valuable supervision and meticulous care he has taken at every stage of the work. The present work would not have probably taken this shape without his incisive observations that helped me a lot to get at the proper perspective and a clear insight. I owe him so much that a mere acknowledgement may seem to be a perfunctory one and really not sufficient to record my sincere and deep sense of gratitude to him. I shall ever remain grateful to him.

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