



E-ISSN: 2706-9117
P-ISSN: 2706-9109
Impact Factor (RJIF): 5.63
www.historyjournal.net
IJH 2025; 7(9): 79-83
Received: 03-06-2025
Accepted: 07-07-2025

Dr. Rakesh Mohan Nautiyal
Assistant Professor,
Department of History, GDC
Kamand, Tehri Garhwal,
Uttarakhand, India

Dr. Amit Chamoli
Assistant Professor (Visiting),
Department of History, Jayoti
Vidyapeeth Women's
University, Jaipur, Rajasthan,
India

Dr. Pankaj Pandey
Associate Professor,
Department of History,
SDMGPG College, Doiwala,
Dehradun Uttarakhand, India

Impact of Nepal's internal problems on south Asia special reference to India - Nepal relations

Rakesh Mohan Nautiyal, Amit Chamoli and Pankaj Pandey

Abstract

After Sri Lanka and Bangladesh, on 8 September 2025, the gen-z youth of Nepal revolted against the government. As a result, many youths were injured and some were killed. Due to the government's action against internet media, the entire Nepal was on fire. To suppress the voice of the revolt, the Auli government's recommendation to seek army's help proved to be insufficient. As a result, the Army Chief clearly expressed his disagreement in handling the situation until the resignation of Nepal's Prime Minister. The special thing is that this revolt was represented by the youth of Nepal, which is known as Nepal's young generation gen-z revolt. It is revolting against the government in a very aggressive manner; Nepal's Parliament, Rashtrapati Bhavan, ministerial residences etc. have been set on fire. From Nepal's Foreign Minister to Finance Minister, everyone has been beaten up on the streets. Prime Minister K.P. Even after Auli's resignation, Nepal is burning and government properties are being looted and many properties have been burnt. Due to this rebellion in Nepal, all the ministers are eager to leave the country. It is difficult to say in which direction Nepal will move in this environment of anarchy. However, the rebellion of Nepal's youth is a warning for the whole world, the whole world cannot play with the feelings of the youth nor can suppress their rights, this is the time of change but anarchy can come as a challenge for any country, from which it will be difficult to recover in the future. Nepal's parliament has been dissolved and efforts are on for permanent peace. The present government is facing challenges which will be difficult to overcome and to live up to the expectations of Gen-Z. How the rebellion of Gen-Z takes Nepal towards change will be known only after the formation of the new government. The paper examines the insurgency in Nepal, highlighting the aggressive nature of the Gen-Z population in Nepal against the government. The paper also focuses on the deep ties between India and Nepal and China's policies, highlighting how the current situation could alter Nepal's relations with India. The paper also draws attention to how China is pursuing its interests in Nepal through its policies and how China might exploit the current situation in Nepal. Nepal's internal problems are not just domestic issues but pose direct security, economic, and strategic challenges for India. Persistent political instability has provided China with an opportunity to expand its influence in Nepal, transforming Nepal from a traditional "buffer state" into a complex "geopolitical crossroads" between India and China.

Keywords: India-Nepal relations, China-Nepal policy, gen-z revolt, KP. Oli foreign policy, Nepal internet block

Introduction

India-Nepal relations are unique and multi-faceted, rooted in centuries-old shared cultural, religious and historical heritage ^[1] Holy places like Lumbini (Nepal), the birthplace of Lord Buddha, and Kushinagar (India), the place of nirvana, connect both nations religiously ^[2]. The formal foundation of this relationship was laid by the Treaty of Peace and Friendship, signed in 1950, which provided for an open border, visa-free movement and mutually equal opportunities ^[3] for citizens of both countries. This treaty has been extremely helpful in promoting trade, economy and social integration between the two countries. However, in recent years, Nepal's persistent political instability, deepening economic crisis, and growing social discontent have become a major challenge to relations between the two countries. Nepal's internal problems are no longer just domestic issues but have a direct bearing on India's security, economic interests, and strategic stability.

The aim of this research paper is to analyze this complex interrelationship. It will examine the root causes of Nepal's internal problems, including political deadlock, corruption, and economic tensions. Next, it will critically analyze the implications of these problems on various dimensions of India-Nepal relations—economic, security, and strategic. Finally, it will offer practical recommendations on the way forward for India in light of China's growing influence.

Corresponding Author:
Dr. Rakesh Mohan Nautiyal
Assistant Professor,
Department of History, GDC
Kamand, Tehri Garhwal,
Uttarakhand, India

Nepal's internal challenges: the roots of instability

Nepal is currently going through a severe political, economic and social crisis. The roots of this instability lie in deep structural flaws and systemic weaknesses.

Cyclical pattern of political instability

Political stability has been a rarity in Nepal since the end of the monarchy and the establishment of the republic. In^[4] the past 17 years, the country has seen the change of more than 10 prime ministers, and none of these prime ministers have been able to complete their term^[5]. It is a cyclical pattern where frequent change of governments disrupts policy making and puts development projects on hold. A major reason for this deadlock is the lack of consensus among major leftist parties, such as the CPN-UML and CPN-MC, and different streams of top leaders, such as KP Sharma Oli and Pushpa Kumar Dahal' Prachanda' This failure of political leadership is directly linked to the people's livelihood crisis, leading to ever-increasing public discontent and frustration.

Deep socio-economic discontent

The direct result of political instability has been the deepening socio- economic discontent. Unemployment among the youth is constantly increasing, the rate of which is currently 10.71 percent^[6] Since the Covid -19 pandemic,

migration of youth to other countries has increased due to limited domestic employment opportunities 6. The common people are suffering due to inflation and the situation in villages is very bad^[7] Along with this economic crisis, corruption is at its peak in Nepal. Several major scandals have been exposed in the last few years, which have raised public anger to the seventh sky. These include the Giri Bandhu land swap scam of 2021 (₹54,600 crore), the Oriental Cooperative scam of 2023 (₹13,600 crore), and the Cooperative scam of 2024 (₹69,600 crore)^[8] The recent Gen-Z movement was not rooted in the restrictions imposed on social media alone, but was a manifestation of the youth's collective anger against these same socio- economic problems and corruption,

The dichotomy of democracy vs monarchy

Nepal's current political and economic plight has severely shattered people's faith in democracy A section of the people troubled by corruption, opportunism and hunger for power is now demanding the return of monarchy This situation reflects a recurring pattern: whenever democratic systems fail to meet public expectations, the demand for a return to the old systems of governance starts gaining momentum. This is a clear indication that the public does not see any credible alternative or solution in the current political structure.

Table 1: Summary of Nepal's internal challenges

Factor	Description	Relevant Data
Political instability	10 Prime Ministers in 17 years. No Prime Minister could complete his term.	10 Prime Ministers ^[9] in 17 years
Unemployment	Rising unemployment among youth. Limited opportunities in the domestic market.	Unemployment rate 10.71% ^[10]
Dearness	The common people are troubled by the inflation.	Inflation rate 5.2% ^[11]
Corruption	Major scandals fuel youth anger.	Giri Bandhu (₹ 54,600 crore), Oriental (₹ 13,600 crore), Corporative (₹ 69,600 crore) ^[12]

Impact of Nepal's problems on India-Nepal relations

Nepal's internal instability has a profound impact on various dimensions of India-Nepal relations, posing several economic and security challenges for India.

Economic dimension: trade, investment and dependency

India is Nepal's largest trading partner and a major source of foreign investment. By 1970, India accounted for 99 percent of Nepal's total exports and 88 percent of its total imports.^[13] Currently, about two- thirds of Nepal's total trade is with

India^[14]. The share of Indian investors in the total approved foreign direct investment (FDI) in Nepal is very high. After China, India's investment in recent years has been the highest^[15]. Apart from this, almost 100 percent of petroleum products in Nepal are supplied from India^[16]. However, Nepal has a huge trade deficit with India Nepal's political instability could further increase this deficit as it disrupts imports and exports and stalls major projects funded by India^[17],

Table 2: India-Nepal trade and investment relations

Factor	Description	Relevant Data
India's share in total trade	About two-thirds of Nepal's total trade is with India.	67.9%
India's share in FDI	Contribution of Indian investment in total approved foreign direct investment in Nepal.	~40%
Supply of petroleum products	Largest supplier of petroleum products to Nepal.	~100%
Bilateral Trade Value (FY 2023-24)	Total value of bilateral trade between India and Nepal.	US\$7.87 billion ^[18]

This economic dependence of Nepal on India is a double-edged sword. On one hand, it gives India a strong strategic position, but on the other hand, it can also give rise to anti-India sentiments in Nepal that' India interferes too much. Nepal's weak economy can also impact India's economy, disrupting trade and causing losses to Indian companies^[19] Recently, India has committed to purchase 10,000 MW of power from Nepal over the next 10 years, which is a

positive move and opens up huge investment potential in Nepal's energy sector^[20],

Security Dimension: Challenges of Open Borders

1808 between India and Nepal The more than 100 km long open border symbolises the unique bond between the people of the two countries, but is also a source of many security challenges^[21] This problem becomes more serious during

political instability, violence and anarchy in Nepal. During the recent violence, more than 15,000 prisoners escaped from about 24 jails in Nepal, out of which 60 prisoners were caught by the Sashastra Seema Bal (SSB) while trying to enter the Indian border ^[22]. This incident clearly shows that Nepal's internal security problems directly impact India's security.

This open border has also become a major route for human

trafficking, drug smuggling, illegal trade and organized crime. Human trafficking is a particularly serious issue, with an estimated 30,000 Nepali citizens falling victim to trafficking each year ^[23] India is often used as a transit route for these victims, making this a security and humanitarian challenge for India. Instability in Nepal further encourages these illegal activities, forcing India to deploy more resources and forces on border security,

Table 3: Security challenges of the India-Nepal open border

Challenge	Description	Relevant Data
Escaped prisoners	Prisoners who escaped from jail after violence in Nepal were caught at the border.	60 prisoners were captured
Human trafficking	The open border is a major route for human trafficking.	Over ^[24] 30,000 Nepali citizens are victims of trafficking
Trafficking and crime	Drugs, weapons, alcohol, and other illicit trade.	872 cases, 892 accused ^[25] in 5 years
Infiltration	Illegal infiltration of non- Indian citizens.	Afghan, Bangladeshi and Chinese nationals ^[26]

Strategic and diplomatic dimensions: trust and conflict

Nepal's internal politics has been characterised by suspicion and lack of trust towards India, which is often used for domestic political gain. Border disputes are a prime example of this lack of trust. Treaty ^[27] of Sangolli of 1816 Despite this, disputes over areas like Kalapani and Susta still persist. The dispute over Kalapani is over the origin of the Mahakali river, while the dispute over Susta arose due to the change in the route of the Gandak river ^[28]. Nepal has won the gold medal in 2019 In 2015, India further strengthened its claim over these areas by releasing a new political map, which increased tensions between the two countries.

Similarly, water-sharing projects have also been hit by political deadlock. The Pancheshwar multipurpose project, intended to generate 6,480 MW of power under the Mahakali Treaty signed in 1996, is still in limbo as its detailed project report ⁽¹²⁹⁾ DPR has not been agreed upon even decades later. Delays in implementation of projects and anti-India sentiments are increasing the trust deficit between the two countries,

Impact of Nepal on the geopolitics of South Asia: India-China competition

Due to its geographical location, Nepal has traditionally been seen as a ^[30] "buffer state" between India and China. However, Nepal's internal instability has changed this role. Nepal has now turned into a "geopolitical crossroads" between these two superpowers, where both countries are competing to increase their influence ^[31]

China's growing influence

China's influence in Nepal increased rapidly after the economic blockade imposed by India in ^[32] 2015 China has provided military assistance to Nepal and conducted joint military exercises to strengthen its strategic reach ^[33]. China's ambitious Belt and Road Initiative (BRI) is an important means of extending this influence. Nepal and China have signed cooperation frameworks under the BRI, which include grants as well as loans ^[34] The China-Nepal Railway Project, estimated to cost more than 10% of Nepal's GDP, is a major BRI project that could trap Nepal in China's "debt trap". These economically unviable projects could pose a threat to Nepal's financial sovereignty and provide China an opportunity to interfere in its policies. This investment is not just economic, but also an attempt to surround India strategically and strengthen its presence in the Himalayan region, raising security concerns for India ^[35].

America and the Indo-Pacific Strategy

Global geopolitics also affects Nepal's internal situation. The US has given Nepal a grant of ^[36] \$500 million under the Millennium Challenge Corporation (MCC). However, some political groups in Nepal have opposed it, arguing that it is part of the US Indo-Pacific Strategy and could undermine Nepal's national interest ^[37] Thus, Nepal has now become a battleground for competition not only between India and China but also between global powers, particularly the US and China.

This situation makes Nepal's internal politics more complex and gives rise to new strategic challenges for India.

Way Forward for India: Recommendations and Strategies

Nepal's internal stability and prosperity are indispensable to India's long-term strategic interests. Therefore, India should act not only as a big brother but also as a reliable and sensitive partner.

- 1. Diplomatic dialogue and rebuilding of trust:** Border disputes should be resolved through diplomatic talks instead of emotional slogans. India should maintain its policy of non-interference in Nepal's internal affairs to reduce anti-India sentiments. India and Nepal should maintain the spirit of cooperation with each other.
- 2. Economic Cooperation and Project Implementation:** It is necessary to focus on the speedy implementation of major projects like the Pancheshwar multipurpose project that has been pending for decades. India should make its development assistance more transparent and effective so that the Nepali people can see its direct benefits and establish a strong image to counterbalance Chinese investment.
- 3. Security Cooperation and Border Management:** India and Nepal should further strengthen joint security mechanisms (like SSB and Nepali Armed Police Force) to tackle cross-border crimes ^[38] Establishing a solid legal and institutional framework is vital to fight human trafficking and other organized crimes.
- 4. Cultural and Public Diplomacy:** India should promote cultural exchange, educational scholarships and spiritual tourism (such as sister-city agreements) to strengthen people-to-people ties and enhance mutual understanding between the two countries ^[2].

Conclusions

With every change of power in Nepal, new challenges were

also faced. The government faced these challenges but these challenges were not taken seriously, as a result of which the youth leadership of Nepal adopted an aggressive stance against the government due to which such a big rebellion arose in Nepal today. In Nepal, only the face of power kept changing, but the system there neither changed nor did any leader take it seriously. Due to which the Prime Minister changed in Nepal but the system continued as before. Due to which anger started arising among the youth of Nepal and this anger took the form of rebellion. Nepal has had 14 Prime Ministers in 17 years. From 2008 to 2025, strong leaders like Pushpa Kamal Dahal Prachanda, Madhav Kumar, Baburam, Sushil Koirala, KP Sharma Oli, Sher Bahadur Deuba have represented Nepal. After the end of monarchy, democracy was adopted, the previous Nepal government did not follow its own policy. but even after the advent of democracy, Nepal continued moving on the path of stagnation. In serious matters like unemployment, employment, foreign trade, foreign policy etc. Nepal's internal problems - including chronic political instability, deepening economic crisis and widespread corruption - have combined to create a complex geopolitical situation. These challenges are no longer limited to Nepal but directly pose serious risks to India's security, economic interests and strategic stability. The situation becomes even more complex when we add to this the growing influence of China in Nepal and the trust deficit that has emerged in traditional India-Nepal relations. Nepal, once seen as a "buffer state" between India and China, has now become a dynamic geostrategic hub where regional and global powers are engaged in intense competition for influence. It is important for India to understand the gravity of this changed scenario. Its Nepal policy can no longer be based on old assumptions. Only a sensitive and farsighted foreign policy can address this challenge. India's active investment in Nepal's stability and prosperity is no longer just an altruistic or moral obligation; it has become a vital strategic imperative directly relevant to India's own long-term national interests. Peace and progress in Nepal are indispensable to India's own security and regional dominance.

References

1. Tiwari S, Malviya HK. The eternal concept of *Vasudhaiva Kutumbakam*: With special reference to India-Nepal relations. *Research Review Journal of Social Science*. 2023;3(2):20-4.
2. Tiwari S, Malviya HK. The eternal concept of *Vasudhaiva Kutumbakam*: With special reference to India-Nepal relations. *Research Review Journal of Social Science*. 2023;3(2):20-4.
3. Sharma S. 1950 India-Nepal Treaty of Peace and Friendship and regional mobilisation in Eastern India. *India Quarterly*. 2023;79(1):79-92. doi:10.1177/09749284221147180. Available from: <https://journals.sagepub.com/home/iqq>
4. Thapa SB. The facets of political instability in Nepal: Causes and effects. *Journal of Political Sciences & Public Affairs*. 2023;11(3):1-6.
5. Thapa SB. The facets of political instability in Nepal: Causes and effects. *Journal of Political Sciences & Public Affairs*. 2023;11(3):1-6.
6. Kumar CP, Dhakal SC, Chhetri RK. Changing pattern of employment in Nepal. *J Inst Agric Anim Sci*. 2020;36:75-84.
7. Poudel K, Subedi P. Impact of COVID-19 pandemic on socioeconomic and mental health aspects in Nepal. *International Journal of Social Psychiatry*. 2020;66(8):748-55.
8. Nepotism, scams, unemployment... What other reasons led to violence in Nepal? Nepal protest inside story in 5 main points over social media ban, youth protests, corruption and political unrest.
9. Prime ministers of Nepal. Available from: <https://www.jagranjosh.com/general-knowledge/prime-ministers-of-nepal-1626097279-1>
10. Nepotism, scams, unemployment... What other reasons led to violence in Nepal? Nepal protest inside story in 5 main points over social media ban, youth protests, corruption and political unrest.
11. Chhetri R, Katuwal P, KC P, Dhakal SC. Remittance and its impact on Nepalese economy. *J Soc Sci Res*. 2020;4(3):1-5. Available from: <https://tradingeconomics.com/nepal/inflation-cpi>
12. Nepotism, scams, unemployment... What other reasons led to violence in Nepal? Nepal protest inside story in 5 main points over social media ban, youth protests, corruption and political unrest.
13. Upadhyaya YM, Kharel KR, Poudel O. Foreign trade of Nepal: An outline of India and overseas economies. *The Saptagandaki Journal*. 2021;12:7-20.
14. Nepal market overview. Available from: <https://www.trade.gov/country-commercial-guides/nepal-market-overview>
15. Neupane M. Foreign direct investment in Nepal. *J Soc Sci Res*. 2020;2(2):302-21.
16. Sharma B, Shrestha A. Petroleum dependence in developing countries with an emphasis on Nepal and potential keys. *Energy Strategy Reviews*. 2023;45:101053. p.1-13.
17. What is the impact of instability in Nepal on India? Nepal crisis impact in India: Nepal Gen Z protest impact on Indian economy crisis, security concerns, risk, border tensions and trade loss.
18. Upadhyaya YM, Kharel KR, Poudel O. Foreign trade of Nepal: An outline of India and overseas economies. *The Saptagandaki Journal*. 2021;12:7-20.
19. Nepal crisis impact: Nepal crisis has 'side effect' on India. Double challenge on economic front, trade surplus at risk amid US tension. *Navbharat Times*.
20. Nepal - an emerging power centre in South Asia. Available from: www.orfonline.org/hindi/expert-speak/nepal-an-emerging-power-centre-in-south-asia
21. Nepal-India border issues. Available from: https://www.researchgate.net/publication/344404029_Nepal-India_Border_Issues
22. 60,000 SSB soldiers are on alert on Indo-Nepal border, security forces caught 60 prisoners who escaped from jail. Nepal violence, 60,000 SSB personnel deployed on Indo-Nepal border. *Navbharat Times*.
23. Human trafficking along the Bangladesh-Bhutan-India-Nepal border: A concrete framework awaited. Available from: www.orfonline.org/hindi/expert-speak/human-trafficking
24. Joshi SK. Human trafficking in Nepal: A rising concern for all. *Kathmandu Univ Med J*. 2010;8(1):3-4.
25. Rajya Sabha Attendant Question No.1118.
26. Ministry of Home Affairs, Government of India.

- AR(H)1516 PDF. Available from: www.mha.gov.in
27. Subba C. The Treaty of Sugauli, 1815 and its historical significance. *J Hist Stud Res.* 2022;2(2):54-64.
 28. Yadav C. Study of the impact of border dispute on India-Nepal relations: Limpiyadhuri, Kalapani, Lipulekh. *J Arts Humanit Soc Sci Mon.* 2025;8(4):94-100.
 29. Pancheshwar multipurpose project. Available from: <https://www.jalshakti-dowr.gov.in/offerrings/schemes-and-services/details/pancheshwar-multipurpose-project-wMwETNtQWw>
 30. Sharma V, Chauhan B. Nepal and Bhutan as buffer states between India and China. *Innovation The Research Concept.* 2021;6(1):H104-H108.
 31. Did America or China cause Nepal Gen Z protest? How both countries impacted. www.tv9hindi.com/knowledge
 32. Sharma V, Chauhan B. Nepal and Bhutan as buffer states between India and China. *Innovation The Research Concept.* 2021;6(1):H104-H108.
 33. Sharma V, Chauhan B. Nepal and Bhutan as buffer states between India and China. *Innovation The Research Concept.* 2021;6(1):H104-H108.
 34. Nepal-China sign on BRI framework: Big tension for India, China debt-trap policy. Available from: <https://navbharattimes.indiatimes.com/world/asian-countries/nepal-china-sign-on-bri-framework-big-tension-for-india-china-debt-trap-policy/articleshow/115973669.cms>
 35. Sharma V, Chauhan B. Nepal and Bhutan as buffer states between India and China. *Innovation The Research Concept.* 2021;6(1):H104-H108.
 36. Kumar N. Nepal, MCC and America's Indo-Pacific Strategy. *Indian Council of World Affairs.* 2021 Oct 29. Available from: www.icwa.in/show_content.php?lang=2&level=3&ls_id=6529&lid=4485
 37. Dahal A. Parties sharply divided along ideological lines over MCC. *My Republica.* 2020 Feb 12. <https://myrepublica.nagariknetwork.com/news/parties-sharply-divided-along-ideological-lines-over-mcc/>
 38. Nepal violence: 60,000 SSB personnel deployed on Indo-Nepal border, 60 escaped prisoners caught. <https://navbharattimes.indiatimes.com/india/nepal-violence-60000-ssb-personnel-deployed-on-indo-nepal-border-60-escaped-prisoners-caught/articleshow/123831684.cms>