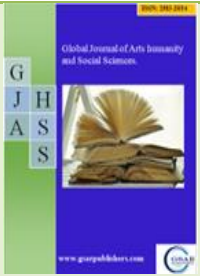
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The New Elites: How Capitalists Shape Politics and Society in Nepal's Transitional Democracy

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Abstract

This paper examines the long-term effects on democracy and democratic politics in Nepal of the enrichment of Nepal's emerging bourgeoisie since the reinstatement of a multiparty democratic political system in 1990. The real threat is that this rapidly growing economic power has gone hand in hand with the rise of a crony-capitalist political regime that is undermining democratic norms, increasing corruption and widening social and economic inequality. Applying a qualitative method approach, the paper outlines a wide range of academic and policy literature to demystify the often complex and puzzling relationship that exists between the duo of money and politics. The main findings are that capitalists exert influence on the state via several instruments, such as paying politicians, lobbying and the creation of nepotism and cronyism. A deep democratic deficit and powerful institutional scepticism characterise this relationship. Finally, the paper argues that independent and transformative institutional and regulatory changes (in transparency of political funding, in anti-corruption efforts) are essential for a fairer, more stable and democratic transitional political moment in Nepal.

Keywords: Capitalism, cronyism, democracy, Nepal, political influence

Introduction

A panoptic colonised bourgeoisie has settled so speedily in Nepal in its post-colonial garb of killing the small, democratic and political power from the people. The paper also elaborates on this phenomenon in the backdrop of National and international capitalist influences on Nepali politics since the restoration of the multi-party system in the country in 1990. The main argument is that the process of capitalism and political regime change in Nepal has generated a form of devaluation of public policy, governance and democratic institutions by economic power. By overseeing bureaucracy (and mobocracy) as a mere instrument of that influence: of corporate funding and lobbying; of cronyism and of nepotism, this study is an attempt to illustrate the mosaic quality of the relations between capital and the political ground in a democratizing setting. It will show the antisocial structuring impacts of this nexus, and it will show the urgent need for, on the one hand, forceful regulatory and institutional policies to guide a politically more socially balanced and stable development (Heinrich, 2024, pp.69-94).

Background of the Study

The present-day capitalism of Nepal emerged after the restoration of multi-party democracy in 2046 B.S and the open liberalisation and privatisation of public sector units. This process intensified with the liberalisation of the late 1980s and Nepal's inclusion within the global capitalist system, resulting in the emergence of a new indigenous capitalist class (Thapa, 2023, pp. 1-5). This study employs a qualitative research approach, seeking depth and a broader perspective on the political economy of Nepal, as perceived by the lecturer, while taking into account all relevant metadata restrictions. The analysis is grounded in a theory that models the power of capitalists over politics and democracy, which is understood to have both national and international dimensions. This way, the nature of linkages between political transitions and economic changes emerges on a nuanced scale, creating a condition where private interest can freely intervene in state activities (Mahaseth, 2017).



Statement of the Problem

The issue this research seeks to explain is the increasing and relatively unchecked role of capitalists in Nepalese politics, leading to crony capitalism that undermines democratic principles, encourages corruption and nepotism, and perpetuates socio-economic disparities. Although the country underwent a process of change, becoming a multi-party democracy and republic, there appears to be an increasing inclination for the state to be captured by a corporate elite. This trend also undermines the long-run stability and integrity of Nepal's democratic system by generating a perceived "weak public provision" of basic services, which erodes citizen trust in the governmental and economic establishment.

Objectives of the Study

1. To assess the historical trajectory of capitalist power in the politics of Nepal after 1990.
2. To study the diverse ways in which capitalists shape political parties, policymaking, and executive government.
3. To analyse the socio-economic impact of such a capitalist-political alliance on the people of Nepal.

Theoretical Framework

Capital, political parties, and democratic societies are all interrelated (Ganuthula & Balaraman, 2025). It is inspired by the long-cherished knowledge of the power of capitalists over security and politics, which the theory 'power of capitalists over politics' assumes, namely that an accumulated economic capital automatically grants more demands in the political field and/or decision-making into the bargain (Heinrich, 2024, pp. 69-94). This framework offers an analytical tool to assess the development of democracy consolidation and eventual reversed momentum in Nepal. The theory emphasises that concentrated capital might also translate into political capture, whereby economic elites interfere with policy-making far beyond what a democratic representative system would prescribe (Krieger & Meierrieks, 2016, pp. 115-132). Using this theoretical framework, the paper aims to explain the processes that undermine democratic practices and foster cronyism in Nepal's politics, as described in the context of Nepal (Tuovinen et al., 2021, pp. 78-82).

2. Findings and Discussions

2.1. Capitalism and Politics: Conceptual Overview

Capitalism has dramatically reshaped economic systems, social structures, individual behaviour, and politics. Initially lauded for promoting individualism, liberalism, freedom, and democracy, it became an admired model for economic reform post-World War II. Crony capitalism, however, represents a negative aspect in which wealthy individuals and businesses leverage capital for profit, often through nepotism and favouritism involving political leaders and parties. Crony capitalism is also a coalition of economic capitalists and political leaders where capitalists use political power to expand their business empire and vice versa, leading to market failure

(Mazumdar, 2008). Crony capitalism is manifested as a business cartel and a political cartel.

Crony capitalism, originating in the US in the 1970s, spread to Southeast Asian countries during financial crises. In Nepal, this involves politically connected capitalists leveraging their connections for business benefits, and new capitalists investing in politics for favour and protection. Nepal's five-decade-long democracy is trapped in this cycle, with capitalists influencing political leaders and parties for financial gain, undermining democratic social justice and increasing poverty and donor dependency.

2.2. Theories of Capitalist Influence on Politics

Discussions on capitalist influence on politics and its effects on democracy are not new, with scholars exploring various perspectives. This analysis focuses on developing nations like Nepal, where political modernity and democratisation occur alongside capitalism, examining the influence and intervention of capitalists on polity and democracy. Capitalism is often criticised for its tendency to undermine democracy. This concern is usually articulated by raising questions on the possible influence of capitalists on democracy regarding the domination of a few over many, rich over poor, haves over have-nots, and the captivated political administration by capitalists (Roe, 2017).

Capitalism is also seen as a precondition for democracy, providing essential elements like individual freedoms, limited governance, and public deliberation. However, capitalism also has inherent effects, often criticised as "capitalist pathology," which include the domination of the few over the many, increased socio-economic inequalities, and the concentration of capital. The concentration of capital can result in political capture, where economic elites exert undue influence over policy-making, thereby undermining the democratic principle of equitable representation (Krieger & Meierrieks, 2016, pp. 115-132).

3.1. Colonial Legacy and Capitalist Development

Nepal's political economy underwent complex transformations during the process of capitalist development. Despite being an independent state, it faced challenges from the colonial legacy after the East India Company's invasion in 1767 and during its unification campaign (1769-1877). Unlike India, which was directly colonised, Nepal's internal factors, such as topography and a lack of infrastructure, limited the emergence of capitalism and trade. This unique historical trajectory meant that Nepal developed its capitalist structures under different pressures, primarily internal feudal systems and external geopolitical dynamics with neighbouring powers, rather than direct colonial administration.

In the mid-19th century, Shah monarchs attempted to develop the terai region for tax revenue, attracting Newar traders. However, a peace treaty barred their trade with India, and while Brahmin-Chhetri farmers relocated, trade remained stagnant. Despite efforts to transform the Terai into a capitalist system, the Rana oligarchs hindered these efforts. Princess Komal Rajya Laxmi's 1885 letter described Nepal as a neo-colonial state, reflecting elite power. This perception stemmed from the entrenched control exercised by a

limited, privileged group that dominated political and economic spheres, effectively creating a system where the benefits of any nascent capitalism accrued disproportionately to this elite (Leipziger, 2024, pp. 373-396).

3.2. Post-Independence Economic Policies

During the Rana regime, Nepal's economic policy was primarily agricultural and characterised by state intervention. Despite joining the IMF and World Bank in 1961, foreign aid became central, guiding development strategies focused on irrigation, agricultural roads, and processing plants, with agriculture dominating employment and GDP. However, this reliance on external aid also introduced vulnerabilities, making Nepal susceptible to the conditionalities imposed by international financial institutions and potentially diverting resources away from areas critical for equitable development (Tamang, 2011, pp. 293-308).

Agricultural growth was targeted for poverty alleviation, with industrial growth serving as the means. While education and political awareness transformed agrarian society, the 1990 people's movement had a limited impact, primarily affecting a few hill districts. Exploiting agrarian discontent, the revolutionary Maoists declared war in February 1996. The civil war intensified after the 2001 royal massacre, leading to the abolition of the monarchy in May 2008 and a republican era. This transformation was further solidified by the 2006 Democratic Movement, which decisively stripped the Shah monarchy of its absolute power, leading to significant changes in societal dynamics, including increased women's empowerment (Paudel & Araújo, 2016, pp. 325-343).

4.1. Political Parties with Close Ties to Capitalists

This led to "crony capitalism," where a small group of political elites within dominant parties controlled the system via financial incentives and patronage networks. This relationship between political power and economic interests often involves policy manipulation for private gain, undermining fair competition and transparent governance. This system also contributes to the perpetuation of kleptocracy, where state institutions become instruments for resource extraction by a ruling clique, rather than serving the public good and providing essential services (Tuovinen et al., 2021, pp. 78-82).

This phenomenon, particularly in transitional democracies with weak institutional checks, allows for the exploitation of nascent political frameworks for personal and factional enrichment. This entrenched power also stifles development by diverting resources to private pockets. Moreover, beyond their fateful entanglement, the capitalist class and their political organisations are undermining the public's confidence in democratic processes, knowing that decisions are being made to benefit a select few, rather than the greater good.

Therefore, the political party is frequently a loose coalition built around strong personalities that have no clear agenda, with the primary goal being to win the election and later share the benefits of success with supporters in clientelistic networks. The search for profitable informal elite pacts rather than national development also threatens to undermine further the construction of a stable,

broad-based political economy. Therefore, systemic corruption and clientelism create disempowerment and distrust within one's society, which can lead to social dislocation and political confusion (Dobel, 1978, pp. 958-973).

4.2. Modes of Influence

Capitalists make politics through lobbying, campaign cash, and state capture. Campaign finance in countries like the US, Germany, and India amplifies elite influence by skewing policies toward wealthy donors, thereby eroding public trust. These modes of influence are crucial in understanding how powerful economic actors shape policy outcomes and resource allocation, particularly in contexts where regulatory frameworks are still evolving. This often manifests as a form of institutionalised corruption, where the legal frameworks themselves are subtly altered to favour specific economic interests, rather than outright illicit transactions (Alt & Lassen, 2003, pp. 341-365).

In the global South, less regulated practices lead to more opaque influence peddling, exacerbating corruption and undermining democratic accountability. A key mechanism involves "setting the agenda" in political decision-making, disproportionately advancing the interests of the affluent while overlooking others. The disproportionate accumulation of wealth by politicians, often facilitated by their integral role in the electoral process, further exemplifies this phenomenon, revealing how personal enrichment can become intertwined with political power (Chandran, 2011).

Corruption appears to be an inherent characteristic of specific political systems, particularly those with predatory governance. This endemic corruption weakens state institutions, hindering their ability to deliver public services effectively and thereby worsening inequalities and social fragmentation. This dynamic can transform political parties into instruments for elite-formation, where factions compete for access to state resources rather than engaging in programmatic debates, as observed in some BRICS nations.

4. Economic Contributions to Political Campaigns

The rise of large-scale capitalist enterprises in Nepal necessitates an examination of the relationship between capitalists and politics, focusing on how capitalists influence the political process to implement their policies. Capitalists invest for profits and seek a conducive political environment for their enterprises. They employ influential political tactics proportionate to their investment, organisational capacity, and political sophistication to ensure profit-making. This influence often extends to shaping public opinion and policy through media control and funding of research that supports their economic interests, thereby creating a cultural hegemony that normalises their agenda (Green-Pedersen et al., 2023, pp. 58-70).

Nepal's most prominent capitalists include Empire Industry Group (hospitality, liquor, food processing, manufacturing, event management), Khetan Group (financial services, manufacturing, agribusiness), Shankar Group (hydropower, cement, construction, hospitality), and Vishal Group (manufacturing, trading,



consultancy, construction, hospitality). These groups operate diverse businesses, some of which have an international presence. The extent to which these powerful economic entities influence political parties and policy-making in Nepal is a critical area of inquiry, especially given the documented struggles of parties like the Nepali Congress with internal factionalism and an inability to effectively counter potential autocratic tendencies (Chetri, 2020, pp. 142–163).

5.1. Lobbying and Advocacy Efforts

These influential business groups often engage in extensive lobbying and advocacy efforts to shape policy and regulatory frameworks in their favour, frequently operating through industry associations or direct engagement with government officials. This involves overt attempts to influence legislation through formal channels and subtle, informal approaches that leverage personal connections to secure favourable treatment. This can manifest as the strategic utilisation of “pockets of efficiency,” where powerful elites and trusted bureaucrats collude to implement policies beneficial to specific industrial sectors, thereby creating an impression of robust state capabilities (Buur & Whitfield, 2013, pp. 21–25).

Such collaborations can distort market mechanisms and undermine public trust and equitable development. This often involves robust business networks influencing political elites, as seen with large, diversified business groups in emerging economies. For example, family business groups in countries such as China are responsible for a substantial portion of industrial production and often represent the largest private companies, underscoring their significant economic and political influence (Xavier et al., 2020, pp. 240–253).

In India, a majority of firms, particularly prominent business groups, employ a dual lobbying strategy, combining collective and individual approaches to influence trade policy, highlighting the sophisticated methods used to secure favourable governmental decisions. This often includes the deployment of professional public affairs consultants and the engagement with independent regulators, signalling a shift towards more formalised yet still influential advocacy practices (Sagar & Madan, 2009, pp. 663–677). Capitalists significantly influence political and democratic processes through lobbying and advocacy.

In Nepal, industrialists and businesspeople lobby to shape political decisions, aiming to expand businesses, maximise profits, and secure government support, including preferential access to resources, licenses, and contracts, often through informal networks. This can lead to regulatory capture, where special interests manipulate policy for private benefit, undermining the public good. Furthermore, the entanglement of business and political elites often extends to the strategic delegation of public functions to private business actors, a phenomenon termed institutional business power, which, over time, fosters an asymmetrical dependence of the state on the continued commitment of these private entities (Bussemeyer & Thelen, 2020, pp. 448–480).

5. Corruption and Nepotism

These practices often intersect with corruption and nepotism, entrenching the influence of specific business interests within the political landscape and distorting economic competition. This can generate considerable fiscal and regulatory benefits for foreign companies, allowing them to demand better entry conditions and shape host government policy in their favour. Furthermore, large firms, since they contribute significant amounts of taxes and job opportunities, are more likely than other firms to become ‘model firms’ that local politicians use when they make a political display of their capability to higher authorities, which can lead to increased power in policy negotiations (Chen, 2023, pp. 1–24).

This alignment provides politicians with the motivation to establish welcoming environments for business activity, while at the same time increasing the potential for firms to exert influence on policy. However, this mutually beneficial position can also lead to the centralisation of power, creating an environment where the riches of industry gain an outsize sway over government policy at the expense of fair development practices and crony capitalism. This is especially true in weak or fragmented political systems, where well-endowed organisations may be able to exert undue influence over policy at multiple entry and veto points (see Choi et al., 2014, pp. 158–179).

The problem with such a bias is that the system is often biased towards specific private interests over public interest, leading to a distortion in the allocation of resources and reduced social welfare. One aspect of this is a decline in trust in governance and the economy, which is characterised by a sense that governments are serving elites rather than the general public (Porter & Kramer, 2018, pp. 323–346). The opacity of lobbyists, as well as their hidden identities, can further complicate an understanding of the actual degree of corporate influence over refinery law-making and regulatory framing.

6.1. Corruption in Political Decision-Making

This murky network of undue favour has allowed for some of the country’s biggest privately owned businesses to exercise unfair influence over the government, and often go unchecked by public scrutiny. This unchecked power becomes an absence of democracy, especially in places where there is weak governance and no oversight. This allows vested interests to appropriate economic rents from the state, which are typically enjoyed as differential benefits or privileges, at the expense of the citizenry (Bourguignon & Wangwe, 2023, pp. 315–360).

Large businesses negotiate directly with local authorities, leveraging the weight of their financial resources to influence local and national policy in their favour. This influence also extends to influencing laws, which are often beneficial to them and serve to protect their market share and profit. Such profound involvement of private interests in the legislative process is conducive to systemic corruption, in which state officials trade public assets for

personal benefits, and would undermine public faith and market fairness (Zhang et al., 2023, pp. 1-13).

In Nepal, there are many parties, but de facto, a few capitalists led these parties and command this state power. This entrenched influence allows a small corporate elite to sideline democratic processes and public preferences, consistently shaping policy agendas to their economic advantage. This type of systemic corruption, where public resources are diverted for private gain, often acts as an additional tax on citizens, reducing funds available for public services and exacerbating economic inequality (Uslaner, 2005).

This study examines how capitalists control political decision-making in Nepal and its socio-economic impacts. Capitalists heavily influence these decisions, adversely affecting socio-economic development. It is argued that the constitution should be amended to prohibit this influence, and legal frameworks require reform to address rent-seeking behaviours and improve anti-corruption enforcement. The practical implementation of such reforms would require robust, independent oversight bodies and a judiciary capable of impartially enforcing anti-corruption statutes, free from political interference (De Dios & Ferrer, 2000, pp. 1-42).

Political corruption stems from a lack of accountability, making it challenging to eradicate; however, some measures can help limit it. Political parties, driven by the desires of upper and middle-class members, prioritise their interests over national priorities or those of poorer members, rendering anti-corruption measures ineffective as corruption remains poorly understood by the general populace. This often results in a cycle where political elites, unconstrained by effective public oversight, can perpetuate corrupt practices without significant political repercussions.

6.2. Nepotism and Cronyism in Government Appointments

In Nepal, criticism of nepotism is often dismissed as the vindictiveness of defeated rivals or cynics. Some rationalise it as a natural human tendency or a by-product of political transitions. However, in a neo-liberal world, cronyism in Nepal remains largely un-interrogated, with political affiliations and family ties easily co-opted into the political-capital nexus. This often leads to the appointment of individuals to key governmental and economic positions based on personal connections rather than merit, further entrenching the influence of specific elite groups and undermining transparent governance (Zhang et al., 2023, pp. 1-13).

Cronyism remains a primary concern, where capital accumulation overshadows ethical processes. While greed is human, crony capitalism stems from systemic flaws amplified by neoliberalism's shortcomings. Capitalism itself cannot be truly emancipatory or democratic, and Nepal has yet to critically assess the transgressions of democratisation and dispossession facilitated by its political economy. This lack of critical analysis often permits the persistence of patrimonial hierarchies, blurring the lines between state, society, and market, and thus inhibiting genuine decentralisation of power and empowerment of local populations.

7. Public Perception and Resistance

Cronyism and political corruption in Nepal have eroded public trust and created disillusionment, with a perceived "weak public provision" of essential services fueling discontent and occasional resistance movements. This discontent often manifests as protests, advocacy for policy reforms, and, at times, more direct challenges to the established political order, reflecting a demand for greater transparency and accountability from the governing bodies.

While some public discomfort with capitalist political power is visible, there is also support and complicity, with many blaming political parties rather than business houses. Resistance to capitalism is nascent; some educated critics desire more ethical capitalism, while activist NGOs sometimes act as public relations for industrialists. This complex interplay exacerbates challenges in implementing democratic reforms and fostering equitable development. The pervasive influence of capitalist elites, combined with the often-unquestioning public acceptance or complicity, creates a significant impediment to the emergence of a genuinely representative and accountable governance structure (Tuovinen et al., 2021, pp. 78-82).

The general public often views industrialists as protectors against political issues. Media campaigns sponsored by industrialists portray them as powerless yet benevolent. Recent papers by scholars and former officials, which describe past collaborations with industrialists as developmental partnerships, reflect a growing public desire for such alliances. Popular political empowerment and upheaval are often downplayed as disruptive excesses that need containment. At a recent symposium on industrialist vulnerability, a politician declared that businessmen should be afraid of politicians because benevolent industrialists "bring prosperity and development" (Oberoi, 2015, pp. 375-388).

7.1. Media Portrayal of Capitalist Influence

A recent report highlights the excessive influence of capitalists over Nepali politics, resulting in policy decisions that favour their business interests. While global debates on the influence of capitalism are common, Nepal is often overlooked. Since the early 1990s, this influence has grown, accelerating post-2015, yet the topic remains underexplored. This gap in academic discourse highlights the pressing need for comprehensive research into the mechanisms and implications of capitalist influence on political decision-making within emerging economies, such as Nepal (Robison, 1988, pp. 52-74).

Discussions on capitalist influence in Nepal often focus on national capitalists, who are frequently portrayed as crony capitalists that can contribute to party decline. While illicit gains are often mistakenly perceived as the sole cause of the political economy's downfall, media narratives perpetuate a pro-crony capitalist view in discourse. This often overlooks the systemic issues and broader structural factors that enable such practices, thus simplifying a complex problem to individual moral failings rather than institutional vulnerabilities (Bhambhri, 1974, pp. 576-593).

7.2. Civil Society Movements and Protests

This paper argues that the growing power of capitalism in Nepal weakens democracy and exacerbates economic and social problems as well. This influence, which has been supported by changes in political structures and loyalties to capitalists, promotes capitalist interests, neoliberal policies, social inequality, and violations of human rights, rendering the political system non-participatory. Options include countering capitalist power through civil society struggles and new forms of development. Such alternative paths make it imperative to re-examine existing economic paradigms and work towards creating inclusive and equitable developmental models, which place people's welfare before that of narrowly defined corporate agendas (Soyas & Vadlamannati, 2020, pp. 1904-1921).

This research explores the impact of capitalism in post-war and underdeveloped countries, such as Nepal, serving as a stepping stone for conducting similar research in South Asian countries. There are limitations, for example, in terms of national versus local politics, and in terms of being careful not to generalise. However, it shines a spotlight on an under-researched area. More research is needed on other movements contesting capitalist pathologies and development models in the global South.

8. Policy Implications

Capitalism and democracy are intimately related, with democracy initially a vehicle for capitalists, yet also opening up. However, in Nepal, MPs who are also major capitalists control the state and politics, creating a liberal, indirect autocracy. While capitalist philosophers acknowledge complex state mechanisms, their ideas have failed to prevent capitalist control, leading to a crisis in philosophy, political science, and democracy itself.

Nepalese philosopher Jankrishna Mishra's critique of the state, democratic mechanism, and social contract, along with his interpretation of philosophical ideas, offers potential solutions to this crisis. Mishra's focus on Nepal and South Asia's socio-religious and caste-based societies addresses wider regional political disorientation. Without a pragmatic reinterpretation of democratic state mechanisms and social contracts, the majority of citizens in Nepal and South Asia will remain controlled by minority lords and elites.

8.1. Regulatory Reforms and Anti-Corruption Measures

Regulatory reforms should ensure fair competition, especially in monopolistic sectors. Nepali parties should adopt integrity pacts for elections, covering funding and anti-corruption measures, along with codes of conduct for their representatives. A national, donor-free platform is needed to raise public awareness against the corrupt nexus of political leaders and capitalists, advocating for transparency in campaign funding and CA activities. Media self-regulation is vital to avoid serving vested interests. Furthermore, independent oversight bodies with enforcement powers are crucial for ensuring accountability and curbing illicit financial flows that often underpin crony capitalist networks (Lawoti, 2008, pp. 363-385).

Achieving prosperity requires inclusive growth and democratic values, but challenges like poverty and social conflict persist. Nepal's worsening corruption perception index, with a clear nexus between political leaders and capitalists, necessitates rigorous anti-corruption measures and a robust regulatory framework. The integration of such measures is crucial for mitigating the adverse effects of unchecked capitalist influence, thereby ensuring that economic development benefits a broader segment of the population rather than consolidating wealth and power among a select few.

8.2. Promoting Transparency and Accountability

Social movements foster accountability and transparency through organised coalitions of non-state actors, strategically challenging democratic accountability in developing countries. Nepal, following political instability after the 1990 popular movement and a 2006 peace agreement, adopted a "Buen Vivir" framework that emphasises inclusion, equity, justice, and accountability. However, significant International Development Assistance has promoted extractive neoliberal growth policies benefiting collective capitalists, undermining democracy and accountability, which often manifests as a decline in bureaucratic accountability wherein public officials prioritise personal gain over the public good, further eroding trust in governmental institutions (Paudel & Gupta, 2019, pp. 2085-2109).

Collective capitalists undermine social movement coalitions advocating for widely shared norms, thereby pre-empting state accountability and transparency. Coalitions succeed by exploiting divisions among capitalists regarding foreign support to bolster state legitimacy and counter protectionism. Following trade liberalisation and open border policies after 1989, the Nepali Congress faced opposition from the Communist Party of Nepal (United Marxist-Leninist), which utilised popular resistance to Indian feudalism to enact the 1990 constitution. The 1996 peace agreement limited the Maoists' good governance and rights-based development agenda. Domestic industrial-capitalist and export-oriented agro-food capitalists ensured compliance with WTO regulations, leading to the adoption of liberal accountability laws, influenced by external pressures and domestic capitalist interests (Foweraker, 2001, pp. 839-865).

9. Future Directions for Research

Nepal's power-sharing model is vital for dismantling the Hill Hindu elite's monopoly and including marginalised groups. Despite democracy's 1990 restoration, disadvantaged communities remained unfulfilled, fueling further political action and polarisation that led to the first constituent assembly's dissolution. Key unresolved issues persist regarding democracy, past agreements, and future reconciliation. Despite the work of civil society, the disadvantaged continue to be oppressed and marginalised in decision-making. Nepal is undergoing a transition and has to pass through a peace process and make a constitution after the conflict. This nuanced, multivalent depiction highlights the tension between local models of governance and the broader national politics.

10. Conclusion

The research demonstrates that the course of capital accumulation in Nepal has moulded its political structure and functioning in a democratic framework, which works according to the principles of power primarily assumed through economic means. The paper shows how a new bourgeoisie emerged capable of taking advantage of political loopholes and deeper layers of economic liberalisation during the post-1990 transition, and managed to mould an entire system (political finance, lobbying, the perpetuation of cronyism and nepotism). The meltdown of the capital state has produced a “democratic deficit” that undermines trust and deepens economic injustice. The legacy of rent seeking, state capture and the political expansion cartels makes it necessary that system-wide reforms are implemented today.

Nepal must contribute its part by credibly changing the rules of the game to level the field, for example, by making transparent how political donations are made and waging a campaign against monopolists. Rent-seeking would take a body blow, and heritage laws against corruption would be much strengthened. There could also be a clear role for such a national vehicle to help promote consciousness among the people and demand media self-regulation to counter pro-capitalist propaganda. In short order, that is, for Nepal’s transitional democracy, it will again need to reinvent state instrumentality (and social contract) anew, based not on corporate class politics, but rather on elite democratic politics.

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