

## **Will Elections Foster a Stable Nepal? Implications for India**

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### **Introduction**

Nepal is approaching a decisive political moment. Since 12 Sep 2025, the country has been governed by a transitional administration led by former Chief Justice Sushila Karki, serving as the interim Prime Minister ahead of the general elections scheduled for Mar 2026. These elections will test Nepal's capacity to restore political stability, address socio-economic pressures, and manage intensifying geopolitical competition. Nepal's internal trajectory also carries direct implications for India, given the depth of bilateral interdependence across political, economic, security, and societal domains. This article assesses Nepal's current political environment, evaluates likely electoral outcomes, and examines post-election scenarios, before outlining the strategic stakes and policy imperatives for India.

### **Political Instability and Social Strain**

Nepal has experienced sustained public protests led largely by Generation-Z and youth groups, driven by frustration over corruption, unemployment, and heavy-handed governance, including restrictions on social media. Although preparations for parliamentary elections in early Mar 2026 are underway, scepticism towards mainstream political actors remains pronounced.

Communal incidents, including mosque vandalism resulting in local curfews, have exposed wider societal fault lines. These developments underscore the fragility of Nepal's internal cohesion and the risk that political contestation could spill into broader social unrest.

### **Structural Interdependence with India**

India remains Nepal's principal economic partner, accounting for approximately 63-64 per cent of its trade and a substantial share of services and foreign direct investment. This relationship is reinforced by deep people-to-people ties, including over eight million Nepalis working in India, as well as longstanding historical links such as Nepali participation in Indian Gorkha regiments.

Nepal's dependence on Indian transit routes, border infrastructure, and connectivity—rail, road, and energy pipelines—makes stable bilateral relations essential for economic continuity. Disruptions carry immediate economic and political consequences.

### **External Strategic Competition**

Nepal's position between India and China has sharpened geopolitical competition. China continues to expand its diplomatic and economic engagement through cooperation agreements and infrastructure-related studies, although recent initiatives have stopped short of major Belt and Road transport commitments.

Kathmandu has simultaneously sought to diversify its external partnerships, including engagement with the United States under the Millennium Challenge Corporation framework, focused on infrastructure and governance. These external alignments increasingly shape domestic political narratives around sovereignty and strategic autonomy.

## Economic Fragility

Nepal's economy remains structurally weak, marked by a persistent trade deficit, high import dependence, and heavy reliance on remittances. Political turbulence has already disrupted supply chains and domestic logistics, weakening investor confidence and threatening medium-term recovery. Economic vulnerability will remain a central determinant of post-election stability.

## Why the 2026 Elections Matter

The general elections scheduled for 5 Mar 2026 represent a critical inflection point. Nepal stands between entrenched party dominance and mounting grassroots demands for systemic reform. The 275-member House of Representatives is elected through a mixed system: 165 first-past-the-post seats and 110 proportional representation seats.

The party landscape is highly fragmented. The immediate priority is to conduct credible elections and avert a constitutional crisis arising from contested authority and unresolved activist demands. Major parties—the Nepali Congress (NC) and the Communist Party of Nepal (Unified Marxist–Leninist, CPN-UML)—are weakened by internal leadership struggles. Other significant actors include the Maoist Centre, Rastriya Swatantra Party (RSP), CPN (Unified Socialist), Janamat Party, and several new and regional formations.

Perceptions of external alignment are salient: the UML under KP Oli and the Maoists are viewed as China-leaning, while the NC is widely perceived as closer to India. A notable development is the consolidation of alternative political forces, including the RSP under Rabi Lamichhane, Kathmandu Mayor Balendra Shah, and former energy minister Kul Man Ghising under the Ujyalo Nepal Party.

## Drivers of Electoral Outcomes

**Youth and Demographics.** Young voters constitute a decisive electoral bloc, particularly in urban and competitive constituencies. Their priorities include employment, digital freedoms, modern governance, and anti-corruption reforms.

**Socio-Economic Pressures.** High unemployment, slow growth, infrastructure deficits, and rising living costs have heightened public expectations and reduced tolerance for political inertia.

**Identity and Federal Politics.** Nepal's federal structure institutionalises ethnic, linguistic, and regional diversity, translating into regionally anchored political mobilisation.

**External Narratives.** Debates over strategic autonomy and relations with India, China, and multilateral partners feature prominently in domestic discourse, often framed through nationalist or sovereignty-based narratives.

## Post-Election Scenarios

**Scenario A: Continuity through Traditional Parties.** The NC, CPN-UML, and Maoist Centre retain sufficient parliamentary strength to form a coalition government. Organisational depth and voter caution towards new actors favour this outcome. While it may provide short-term stability, a failure to deliver reforms risks renewed protest mobilisation.

**Scenario B: Hybrid Coalitions and Reform Momentum.** Non-traditional actors, particularly the RSP and regional parties, emerge as coalition partners or kingmakers. The Rastriya Prajatantra Party could play a pivotal role. Youth mobilisation and protest-driven political

engagement shape outcomes. Reform opportunities expand, but coalition coherence remains uncertain.

**Scenario C: Fragmentation and Deadlock.** No bloc secures a majority, leading to protracted negotiations and unstable governance. Ideological divisions over federalism and economic policy, compounded by hill-plains cleavages, could produce policy paralysis and renewed unrest.

**Scenario D: Populist and Nationalist Surge.** Anti-elite and nationalist rhetoric gains traction, foregrounding identity, sovereignty, and external influence. Border and historical disputes risk politicisation, placing acute strain on India–Nepal relations and exacerbating internal divisions.

### **Medium-Term Outlook**

Politically, credible elections could stabilise governance; however, without tangible progress on employment, transparency, and anti-corruption measures, public disillusionment is likely to re-emerge. Economically, continued instability would suppress investment, constrain growth, and intensify fiscal stress, while exposure to global shocks—particularly inflation and remittance volatility—persists. Geopolitically, Nepal is expected to maintain a non-aligned posture, seeking support from India, China, and other partners.

### **Strategic Stakes for India**

India faces the challenge of engaging Nepal with restraint and strategic clarity. During the electoral period, India should support credible democratic processes while avoiding perceptions of interference, maintaining engagement across the political spectrum.

A stable Nepal oriented towards constructive bilateral relations aligns with India's core interests. Indian policy should rest on three pillars: security cooperation, economic integration, and diplomatic trust-building. The shared 1,751-Km open border presents persistent security challenges, including organised crime, narcotics trafficking, and counterfeit currency, requiring enhanced cooperation, intelligence sharing, and technology-enabled border management.

Economically, India must ensure reliable trade flows to mitigate inflationary pressures in Nepal and sustain public confidence. Connectivity projects linking Nepal to Indian markets and ports remain central to Nepal's economic resilience and should be pursued transparently and collaboratively.

China's expanding footprint, alongside regional challenges involving Pakistan and Bangladesh, complicates India's strategic environment. India's engagement with Nepal must therefore prioritise partnership over patronage, respect sovereign political space, and support economic resilience through trade facilitation, investment, and jointly beneficial infrastructure projects.

Rebuilding trust also requires revisiting elements of the 1950 India–Nepal Treaty of Peace and Friendship through inclusive dialogue, complemented by deeper cooperation in health, education, and cultural exchanges.

### **Conclusion**

Nepal's 2026 elections will shape both its internal political stability and the future of India–Nepal relations. A calibrated Indian approach—anchored in sensitivity, partnership, and strategic patience—can contribute to stabilising Nepal, securing India's northern frontier, and fostering a cooperative bilateral relationship. Aligning policy instruments with Nepal's

evolving political landscape offers a pathway towards strengthened democratic institutions, shared prosperity, and durable stability in South Asia.

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