



Nexus between Unemployment, Income Inequality, Political Stability, and Economic Growth: An Empirical Study of the Nepalese Economy

Dahal ARJUN KUMAR
Budhathoki PREM BAHADUR
Bhattarai GANESH
Tribhuvan University, Nepal
arjun.dahal@memc.tu.edu.np

Abstract

This study aims to investigate the influence of political stability, unemployment, and income inequality on the economic growth of Nepal while also exploring the reciprocal impact of economic growth, unemployment, and political stability on income inequality within the country. It only uses secondary data from various World Bank reports and Nepal's economic surveys. It only covers 32 data points spanning from 1991 to 2022. The descriptive and exploratory research designs are used in this study. Simple statistical tools like correlation analysis, Unstandardized and standardized regression analysis, analysis of variance (ANOVA), residual statistics, histogram, and scatterplot for residual analysis are used in this analysis. Unemployment has negative and political stability positively impacts economic growth in Nepal. One percent increase in unemployment results in a 1.920 percent decrease in economic growth. Likewise, one percent increase in the political stability index results in a 0.804 percent increase in economic growth in Nepal. Unemployment hurts more on economic growth than income inequality in Nepal. Unemployment, political stability, and GDP growth are individually and jointly affected by income inequality in the nation. Political stability and economic growth decrease income inequality, but unemployment increases income inequality in the Nepalese economy. One unit increase in the political stability index and economic growth results in -4.356 and -0.117 unit decrease in income inequality in Nepal. The political stability index has a multiplier effect in decreasing income inequality. Unemployment causes income inequality. One unit increase in unemployment results in a 1.121 unit increase in income inequality. Unemployment has a multiplier effect on income determination in Nepal. About 39.7 percent variation in economic growth is determined by political stability, unemployment, and income inequality, but 46.7 percent in income inequality is determined by unemployment, economic growth, and political stability. Policymakers should consider a holistic approach that addresses income inequality, unemployment, and political stability to foster sustainable and inclusive economic growth. The abstract is not a substitute for the introduction.

Keywords: income inequality, multiplier, unemployment, political stability, corruption

JEL Classification: E24, D63, O17

© Author[s] 2022. This work is distributed under the Creative Commons Attribution 4.0. License [<http://creativecommons.org/licenses/by-nc-nd/4.0/>]

Introduction

Development issues encompass a wide range of challenges that can impact economic development. These issues include but are not limited to poverty, lack of access to education and healthcare, inadequate infrastructure, environmental degradation, corruption, political instability, and income inequality. These factors can create barriers to economic growth by constraining productivity, limiting human capital development, discouraging investment, and fostering social unrest. Addressing these issues requires comprehensive policies and interventions that promote inclusive growth, social equity, and sustainable development. By tackling these challenges effectively, countries can create an enabling environment for economic development that benefits all segments of society.

Political instability can stem from many non-economic factors, including but not limited to ethnic tensions, corruption, weak governance, lack of political inclusivity, and social inequalities. Ethnic tensions often arise due to historical grievances or resource competition, leading to conflicts and instability within a country (Fearon & David, 2003). Corruption erodes trust in government institutions and fosters a sense of injustice among citizens, undermining political stability (Trabelsi, 2023). Weak governance, characterized by ineffective leadership, institutional fragility, and a failure to uphold the rule of law, can exacerbate tensions and contribute to instability. Similarly, exclusionary political systems that marginalize certain groups or fail to represent diverse interests can sow seeds of dissent and lead to social unrest. Moreover, entrenched social inequalities, whether along economic, ethnic, or other lines, breed resentment and can catalyze political instability. These factors interact in complex ways, creating a volatile environment that undermines political cohesion and stability (Reinhart & Rogoff, 2010).

High income inequality, wealth disparity, and widespread poverty can breed resentment, frustration, and social unrest. When a significant portion of the population feels marginalized and deprived of economic opportunities, it can lead to protests, civil unrest, and challenges to the existing political order (Alesina & Perotti, 1996). High unemployment rates, particularly among the youth, can lead to disillusionment and a sense of hopelessness. When people, especially the educated and skilled workforce, lack economic prospects and opportunities, they may become susceptible to extremist ideologies or engage in activities that undermine the political system (Chamlou, 2008).

Mismanagement of the economy, coupled with widespread corruption, can erode public trust in the government and its institutions (Transparency International, 2023). Misallocation of resources, cronyism, and embezzlement of public funds can fuel resentment among the populace and undermine the legitimacy of the ruling authorities. It's important to note that economic factors often interact with other social, political, and cultural factors contributing to political instability. Addressing economic grievances, promoting inclusive economic growth, and implementing policies that reduce inequalities and create opportunities can help mitigate the risk of political unrest arising from economic causes. External factors, such as global recessions, commodity price fluctuations, or trade disruptions, can have severe financial consequences for a country, potentially leading to social unrest and political instability (Rodrik, 1999).

Income inequality can have both positive and negative effects on economic growth. While some inequality can incentivize innovation and entrepreneurship, excessive inequality can hinder economic growth by limiting access to education, healthcare, and opportunities for the poorer segments of society. Income inequality is negatively associated with sustained

economic growth. They argue that reducing inequality can help sustain growth over the long term (Ostry et al., 2014).

Unemployment is generally considered detrimental to economic growth as it represents unused resources and leads to a loss of output. High unemployment rates can lead to lower consumer spending, reduced tax revenues, and social unrest. Okun's Law suggests that for every one percent increase in the unemployment rate, GDP will be roughly an additional two percent lower than its potential (Okun, 1962). Political stability is crucial for economic growth as it provides an environment conducive to investment, innovation, and economic planning. Stable political institutions reduce uncertainty and encourage both domestic and foreign investment. Countries with more inclusive political institutions tend to experience higher long-term economic growth rates (Acemoglu et al., 2001).

Political stability can significantly shape income distribution within a country (Alesina & Perotti, 1996). Furthermore, economic growth can exacerbate income disparities (Atkinson & Brandolini, 2001). Additionally, unemployment rates have been linked to income inequality, as higher unemployment levels often lead to more significant disparities in income distribution (Neumark et al., 2018).

This study examined the impact of unemployment, income inequality, human development, and political stability on Nepal's economic growth. It further aims to investigate the effect of unemployment, political stability, and economic growth on determining income inequality in the Nepalese economy. It observed these factors' individual and joint impact on Nepal's economic growth.

This study is divided into six segments. The remaining sections of this study are as follows: Section two comprises the literature review of this study, and analysis materials and methods are included in segment three. Results are analyzed in segment five. The second last segment consists of the result discussion, and the sixth segment includes the study's conclusion, policy implications, and limitations.

1. Literature Review

Classical economists, such as Adam Smith and David Ricardo, emphasized the role of free markets, division of labor, and capital accumulation in promoting economic growth (Lowe, 1954). Institutional economists, such as Douglass North and Thorstein Veblen, focus on the role of institutions, property rights, and governance structures in shaping economic development and growth (Vandenberg, 2002). Marxist economists, including Karl Marx and Friedrich Engels, analyze economic development and growth through the lens of class struggle, exploitation, and the dynamics of capitalism.

Economic Determinism theory posits that income inequality directly affects political stability through its impact on social cohesion and government legitimacy. Income inequality can lead to social unrest and political instability as marginalized groups become increasingly discontent with their economic circumstances. As a result, governments may face challenges to their authority and legitimacy, potentially leading to political upheaval or regime change (Acemoglu & Robinson, 2012). Political stability can lead to more progressive taxation and social welfare policies, which can help mitigate income disparities. Political instability can exacerbate corruption and rent-seeking behavior, leading to unequal distribution of resources and widening income disparities (Persson & Tabellini, 1994). Political instability is positively correlated with corruption, which worsens income inequality. Political stability can encourage investment in education and human capital

development, which can help reduce income inequality by improving opportunities for upward mobility (Mauro, 1995). Barro (2001) argues that political stability is positively associated with investments in education, which can lead to more equal income distribution.

Okun's (1962) seminal work established Okun's Law, which quantifies the negative relationship between unemployment and economic output, indicating that for every one percentage point increase in the unemployment rate, a country's GDP tends to be roughly 2 percent lower than its potential. Thapa et al. (2022) found a non-significant impact between Nepal's unemployment rate and economic growth. Ngubane et al. (2023) found that unemployment increases poverty, and poverty reduces economic growth in South African Countries. Adelowokan et al. (2019) found no causal link between unemployment, economic growth and poverty. Ariski et al. (2022) found a controversial link between unemployment and economic growth. They have a positive connection. Probosiwi (2016) showed no correlation between Indonesia's poverty, unemployment, and economic growth. Tanzin (2019) found that economic growth does not impact the reduction of unemployment.

Meierrieks and Gries (2013) observed the impact of terrorism on economic growth. They found the temporal causal heterogeneity relation by shifting the geographical and ideological terrorism. Ozek (2020) found the uni-directional causality from GDP per capita and political stability in Kazakhstan but no causal relation between variables in Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, Turkmenistan, and Turkey. Aisen and Veiga (2011) found that political instability adversely affects economic growth by lowering productivity growth rates and low degree of physical and human capital formation. Padam (1998) found that growth generates stability. Nel (2003), Acemoglu and Robinsen (2001) found that income inequality doesn't directly affect political instability. Abdillah et al. (2020) found that political stability positively impacts economic growth.

Topuz (2022) found that high-income inequality adversely affects economic growth. Braun et al. (2019), Le and Nguyen (2019), and Madsen et al. (2018) found the negative impact of income inequality on economic growth. Nambie et al. (2023) found that income inequality and unemployment significantly negatively impact economic growth. Suryani and Woyanti (2021) found that economic growth does not substantially affect income distribution inequality, but unemployment significantly positively affects income inequality.

Despite extensive research on the relationship between income inequality, unemployment, and economic growth, there remains a gap in understanding the nuanced interactions among these variables across different socio-economic contexts. Existing studies primarily focus on direct causal relationships without adequately considering potential mediating factors or dynamic feedback loops. Additionally, limited research addresses how specific policy interventions or institutional changes could mitigate the adverse effects of income inequality and unemployment on economic growth.

2. Methods

This study is based on the descriptive and exploratory research design. It is based on the positivist research philosophy that discovers existing laws and principles through quantitative data analysis and hypothesis testing. This study is based on secondary data from various reports from the World Bank and Nepal's economic surveys. It only covers 32 data points spanning from 1991 to 2022. SPSS is used to explore the impact of the available data. Simple statistical tools like correlation analysis, unstandardized and standardized regression analysis, analysis of variance (ANOVA), residual statistics, histogram, and scatterplot for

residual analysis are used in this analysis. Four variables economic growth, unemployment, income inequality, and political stability index, are included in the study. Economic growth and income inequality are taken as dependent variables, and the rest are taken as independent variables. Unemployment, income distribution, and political stability affect a country's economic growth. In this sense,

$$\text{Economic growth} = f(\text{Unemployment, economic inequality, political stability}) \quad (1)$$

The unstandardized equation can be represented as:

$$\text{nGDPR} = \beta_0 + \beta_1 \text{UNPR} + \beta_2 \text{GCI} + \beta_3 \text{POLSI} + \mu \quad (2)$$

Where β_0 is the intercept term, representing the value of economic growth when all independent variables are zero. β_1 , β_2 , and β_3 are the unstandardized regression coefficients, representing the change in economic growth for a one-unit change in each independent variable, holding other variables constant. UNPR, GCI, nGDPR, and POLSI are the original unemployment values, income distribution, economic growth, and political stability, respectively. μ is the error term. The standardized equation shows the impact of each variable on economic growth after standardizing all variables. It helps in comparing the relative importance of each variable. The standardized regression equation (Cohen et al. 2002) is formed as given below:

$$\text{nGDPR} = \beta_U Z(\text{UNPR}) + \beta_{ID} Z(\text{GCI}) + \beta_{PS} Z(\text{POLSI}) + \mu \quad (3)$$

Where β_U , β_{ID} , β_{PS} are the standardized regression coefficients, representing the impact of each variable on economic growth, holding other variables constant. $Z(\text{UNPR})$, $Z(\text{GCI})$, and $Z(\text{POLSI})$ are the standardized values of unemployment, income distribution, and political stability, respectively. μ is the error term.

In the other sense, the income inequality (GCI) of a nation is affected by the economic growth (nGDPR), political stability (POLSI), and unemployment (UNPR) situation of a country. In this sense:

$$\text{Income inequality} = f(\text{economic growth, political stability, unemployment}) \quad (4)$$

Unstandardized regression equation is formed as:

$$\text{GCI} = \beta_0 + \beta_1 \text{nGDPR} + \beta_2 \text{POLSI} + \beta_3 \text{UNPR} + \mu \quad (5)$$

The standardized regression is formed as given below:

$$\text{GCI} = \beta_G \text{nGDPR} + \beta_P \text{POLSI} + \beta_U \text{UNPR} + \mu \quad (6)$$

Equations (5) and (6) β_1 , β_2 , and β_3 show the unstandardized regression coefficient of variable economic growth, political stability, and unemployment, respectively. Likewise, β_G , β_P , and β_U represent the standardized regression coefficients of economic growth, political stability, and unemployment variables. Standardizing variables allows for directly comparing the strength of their relationships in terms of standardized coefficients, often

referred to as beta coefficients (Tabachnick & Fidell, 2013). The available data is converted into standardized form by using the following:

$$\text{Standardized variable} = \frac{X - \bar{X}}{\sigma} \quad (7)$$

3. Results

3.1. Exploration of Associations between Variables

Table 1 displays several insights regarding the relationships between economic growth, income inequality (Gini Index), unemployment, and political stability. Firstly, there is a weak negative correlation between economic growth and unemployment (-0.349), indicating that as economic growth increases, unemployment tends to decrease. On the other hand, unemployment hurts Nepal's economic growth. Secondly, a moderately negative correlation between the Gini Index and political stability (-0.674) indicates that higher income inequality adversely affects political stability. Unemployment and economic growth are negatively related (-0.133), suggesting a higher unemployment rate hurts economic growth. However, political stability positively correlated (0.122) with economic growth, indicating that political stability is necessary for economic growth.

Table 1.

Association analysis of predictor and response variable

Correlations Analysis					
Variables		nGDPR	GCI	UNPR	POLSI
Pearson Correlation	nGDPR	1.000	-0.133	-0.349	0.122
	GCI	-0.133	1.000	-0.151	-0.674
	UNPR	-0.349	-0.151	1.000	0.381
	POLSI	0.122	-0.674	0.381	1.000

(Source: authors' calculation)

Where nGDPR shows Nepal's economic growth rate (percent annual), GCI represents income inequality (Gini Index), and UNPR and POLSI show unemployment (percent of the total labour force) and political stability index (political stability and absence of violence/terrorism), respectively.

3.2 Regression Coefficients Analysis

The table explains two regression analyses, one predicting economic growth and the other predicting the Gini coefficient. The constant term (26.056) represents the expected value of economic growth when all independent variables are zero. The coefficient for the Gini Index (-0.002) suggests that as income inequality (measured by the Gini Index) increases by one-unit, economic growth decreases by 0.002 units. However, this coefficient is not statistically significant (p-value > 0.05). The coefficient for Unemployment (-1.920) indicates that for every one-unit increase in unemployment, economic growth decreases by 1.920 units, and this effect is statistically significant (p-value < 0.05). The coefficient for the Political Stability Index (0.804) suggests that for every one-unit increase in political stability, economic growth increases by 0.804 units, and this effect is statistically significant (p-value < 0.05). All variables have tolerable collinearity (VIF<10), indicating no severe multicollinearity issues. The equation for this model would be:

$$nGDPR = 26.056 - 0.002GCI - 1.920UNPR + 0.804POLSI \quad (8)$$

The standardized regression equation is estimated as given below:

$$nGDP = -0.005*GCI - 0.462*UNPR + 0.294* POLSI \quad (9)$$

According to the standardized regression equation, income inequality and unemployment negatively impact economic growth, but unemployment hurts economic growth more than income inequality in Nepal.

Table 2.

Regression analysis predicting economic growth and income inequality					
Dependent variable: Economic Growth (nGDPR)					
Variables	β	Standard error	t-statistic	p-Value	VIF
Constant	26.056	8.608	3.027	0.005	
GCI	-0.002	0.105	-0.020	0.985	1.876
UNPR	-1.920	0.771	-2.492	0.019	1.198
POLSI	0.804	0.252	3.187	0.045	2.144
Coefficients, Dependent Variable: Gini Coefficient (GCI)					
Variables	β	Standard error	t-statistic	p-Value	VIF
Constant	17.923	17.588	1.019	0.317	-
UNPR	1.121	0.410	2.736	0.046	1.436
POLSI	-4.356	0.945	-4.611	0.000	1.280
nGDPR	-0.117	0.058	-2.020	0.045	1.246

(Source: authors' calculation)

The coefficient for Unemployment (1.121) suggests that for every one-unit increase in unemployment, the income inequality increases by 1.121 units, and this effect is statistically significant (p-value < 0.05). The coefficient for the Political Stability Index (-4.356) indicates that for every one-unit increase in political stability, the income inequality decreases by 4.356 units, and this effect is statistically significant (p-value < 0.05). The coefficient for Economic Growth (-0.117) suggests that as economic growth increases by one unit, income inequality decreases by 0.117 units, which is also significant at 5 percent. All variables have tolerable collinearity (VIF < 10), indicating no severe multicollinearity issues. The regression equation is estimated as follows:

$$GCI = 17.923 + 1.12* UNPR - 4.356*PSI - 0.117*nGDPR \quad (10)$$

The standardized regression equation is given below:

$$GCI = 0.122*UNPR - 0.720* POLSI -0.003*nGDPR \quad (11)$$

According to the standardized regression equation, the political stability and economic growth rate decrease the income inequality in the nation. However, political stability more effectively reduces income inequality than economic growth in Nepal.

3.3. Model Checking Process

Table 3 displays the model summary of the regression model that predicts economic growth and income inequality. When economic growth is considered the dependent variable, the model explains around 39.7 percent of the variance, with an adjusted R-squared of 31.2 percent, suggesting that the independent variables in the model provide moderate explanatory power. The standard error of the estimate is 2.807, indicating the average distance that the observed values fall from the regression line. Conversely, when income inequality/Gini index is the dependent variable, the model demonstrates a higher explanatory power, with an R-squared of 46.7 percent and an adjusted R-squared of 41.0 percent. However, the standard error of estimate increases to 3.807. This implies that the model is better for predicting income inequality than economic growth.

Table 3.

Model summary of estimating economic growth and income inequality

Title	Dependent Variable: Economic Growth	Dependent Variable: Income Inequality/Gini Index
R-squared	0.397	0.467
Adjusted R-squared	0.312	0.410
Standard Error of Estimate	2.807	3.807

(Source: authors' calculation)

In Table 4, the variance analysis is displayed. The ANOVA analysis provides insights into the significance of the regression models for both economic growth and income inequality. For economic growth, the regression model is marginally significant ($F = 2.297$, $p = 0.099$), indicating that the independent variables collectively have a weak influence on explaining the variance in economic growth. Conversely, the regression model for income inequality is highly significant ($F = 8.176$, $p < 0.001$), suggesting that the independent variables significantly explain the variance in income inequality. These results imply that the factors included in the model are more effective in explaining income inequality than economic growth. The ANOVA analysis confirms that both regression models are statistically significant, suggesting that the selected independent variables impact economic growth and income inequality.

Table 4.

Analysis of variance (ANOVA)

Criteria	Dependent Variable: Economic growth			Dependent Variable: Income Inequality		
	Regression	Residual	Total	Regression	Residual	Total
Sum of squares	30.613	124.397	155.009	335.49	405.83	761.34
df	3	28	31	3	28	31
Mean square			-			-
F	10.204	4.443	-	118.497	14.49	-
Sig.	2.297	-	-	8.176	-	-
	0.099	-	-	0.00	-	-

(Source: authors' calculation)

The residual statistics of Table 5 provide insight into the accuracy of the predictions made by the model for economic growth and income inequality. For economic growth, the predicted values range from 0.735 to 5.777, with a mean of 4.458 and a standard deviation of 0.994. The residuals range from -4.902 to 3.925, with a mean close to zero, indicating that the model tends to predict economic growth reasonably accurately. Similarly, the expected values for income inequality range from 29.982 to 42.110, with a mean of 35.294 and a standard deviation of 3.386. The residuals range from -6.910 to 7.030, again with a mean close to zero, suggesting that the model also reasonably predicts income inequality. Overall, the low standard deviations and the close-to-zero mean of residuals indicate that the model fits the data well for both economic growth and income inequality.

Table 5.

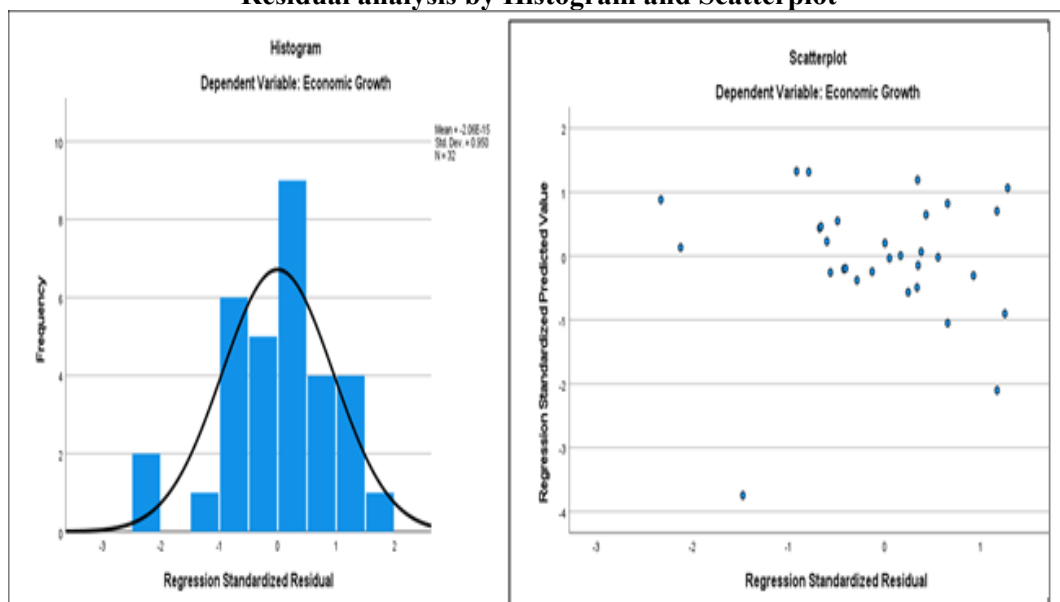
Residual statistics of the models

Criteria	Dependent Variable: Economic growth				Dependent Variable: Income Inequality			
	Predicted value	Residual	Std. predicted value.	Std. residual	Predicted value	Residual	Std. predicted value	Std. residual
Minimum	0.735	4.902	-3.747	2.325	29.982	6.910	-1.568	1.815
Maximum	5.777	3.925	1.327	1.862	42.110	7.030	2.013	1.847
Mean	4.458	0.000	0.000	0.000	35.294	0.000	0.000	0.000
Std. deviation	0.994	2.003	1.000	0.950	3.386	3.018	1.000	0.950

(Source: authors' calculation)

Figure 1. shows the model's histogram and scatter plot. The regression-standardized residuals are scattered. The regression-standardized residual and regression-standardized predicted value have no relation, so the residuals are not correlated.

Figure 1.

Residual analysis by Histogram and Scatterplot

(Source: authors' calculation)

4. Discussion

Unemployment has negative and political stability positively impacts economic growth in Nepal. Unemployment negatively affects economic productivity and social cohesion. At the same time, political stability fosters an environment conducive to investment, job creation, and overall economic growth in Nepal. One percent increase in unemployment results in a 1.920 percent decrease in economic growth. This finding aligns with the findings of Okun (1962), and Ngubane et al. (2023), but the findings of Adelowokan et al. (2019) and Ariski et al. (2022) do not support the findings of this research. Likewise, one percent increase in the political stability index results in a 0.804 percent increase in economic growth in Nepal. This finding is supported by the findings of Abdillah et al. (2020) and Aisen and Veiga (2011).

Unemployment hurts more on economic growth than income inequality in Nepal. Unemployment, political stability, and GDP growth are individually and jointly affected by income inequality in the nation. Political stability and economic growth decrease income inequality, but unemployment increases income inequality in the Nepalese Economy. One unit increase in the political stability index and economic growth results in -4.356 and -0.117 unit decrease in income inequality in Nepal. Topuz also observed that income inequality adversely affects economic growth. The political stability index has a multiplier effect in decreasing income inequality. The political stability index's positive correlation with reducing income inequality is rooted in its ability to attract investment, promote long-term policy implementation, and create an environment conducive to inclusive economic development in Nepal.

Unemployment causes income inequality. One unit increase in unemployment results in a 1.121 unit increase in income inequality. Unemployment has a multiplier effect on income inequality in Nepal. About 39.7 percent variation in economic growth is determined by political stability, unemployment, and income inequality, but 46.7 percent in income inequality is determined by unemployment, economic growth, and political stability. Income inequality adversely affects economic growth. This finding is supported by Le and Nguyen and Madsen et al. (2018), but the findings of Suryani and Woyanti (2021) indicate no effect of economic growth on income inequality.

5. Conclusion

This study observes the impact of political stability, income inequality, and unemployment on economic growth. Likewise, the effect of unemployment, political stability index, and economic growth on income inequality is also examined. Unemployment has negative and political stability positively impacts economic growth in Nepal. One percent increase in unemployment results in a 1.920 percent decrease in economic growth. Likewise, one percent increase in the political stability index results in a 0.804 percent increase in economic growth in Nepal. Unemployment hurts more on economic growth than income inequality in Nepal. Unemployment, political stability, and GDP growth are individually and jointly affected by income inequality in the nation. Political stability and economic growth decrease income inequality, but unemployment increases income

inequality in the Nepalese Economy. One unit increase in the political stability index and economic growth results in -4.356 and -0.117 unit decrease in income inequality in Nepal. The political stability index has a multiplier effect in decreasing income inequality. Unemployment causes income inequality. One unit increase in unemployment results in a 1.121 unit increase in income inequality. Unemployment has a multiplier effect on income determination in Nepal. About 39.7 percent variation in economic growth is determined by political stability, unemployment, and income inequality, but 46.7 percent in income inequality is determined by unemployment, economic growth, and political stability.

The findings highlight the critical role of political stability, unemployment, and economic growth in shaping income inequality in Nepal. Unemployment has a significant adverse impact on both economic growth and income inequality; policymakers should prioritize strategies aimed at tackling unemployment to address income inequality effectively. Moreover, enhancing political stability can foster economic growth and mitigate income inequality. However, since political stability has a multiplier effect in reducing income inequality, concerted efforts should be made to maintain and strengthen political stability through effective governance and policy measures. Overall, policymakers should focus on implementing comprehensive policies targeting unemployment reduction, promoting political stability, and fostering sustainable economic growth to effectively address income inequality in Nepal.

This study uses only four variables: political stability index, unemployment, income inequality, and economic growth. Economic growth and income inequality are taken as the dependent variables. It only uses secondary data from various World Bank reports and Nepal's economic surveys. It only covers 32 data points spanning from 1991 to 2022. SPSS is used to explore the impact of the available data. Simple statistical tools like correlation analysis, Unstandardized and standardized regression analysis, analysis of variance (ANOVA), residual statistics, histogram, and scatterplot for residual analysis are used in this analysis. So, a new study must include the untouched and touched subject for more comprehensive and reliable results.

Reference

- Abdillah, K., Handoyo, R., & Wasiaturrahma, W. (2020). The effect of control corruption, political stability, and macroeconomic variables on Asian economic growth. *Ekulibrium : Jurnal Ilmiah Bidang Ilmu Ekonomi*, 15(2), 161-169. doi:<https://doi.org/10.24269/ekulibrium.v15i2.2020.pp161-169>
- Acemoglu, D., & Robinson, J. A. (2001). A theory of political transitions. *American Economic Review*, 91(4), 938–963. <https://doi.org/10.1257/aer.91.4.938>
- Acemoglu, D., Johnson, S., & Robinson, J. A. (2001). The colonial origins of comparative development: An empirical investigation. *American Economic Review*, 91(5), 1369-1401. <https://doi.org/10.1257/aer.91.5.1369>
- Acemoglu, D., & Robinson, J. A. (2012). Economic origins of dictatorship and democracy. Cambridge University Press. <https://doi.org/10.1017/CBO9780511510809>
- Adelowokan, O. A., Maku, O. E., Babasanya, A. O., & Adesoye, A. B. (2019). Unemployment, poverty, and economic growth in Nigeria. *Journal of Economics and Management*, 35(1), 5-17. <https://doi.org/10.22367/jem.2019.35.01>
- Alesina, A., & Perotti, R. (1996). Income distribution, political instability, and investment. *European Economic Review*, 40(6), 1203-1228.

- [https://doi.org/10.1016/0014-2921\(95\)00030-5](https://doi.org/10.1016/0014-2921(95)00030-5)
- Aisen, A., & Veiga, F. J. (2011). How does political instability affect economic growth? IMF Working Paper No. WP/11/12, <https://www.imf.org/external/pubs/ft/wp/2011/wp1112.pdf>
- Ariski, F., Usman, U., Abbas, T., Mariyudi, M., & Safitri, S. (2022). The analysis of termination of employment and unemployment on poverty in Indonesia. *Journal of Malikussaleh Public Economics*, 5(1), 9-15. <https://ojs.unimal.ac.id/jompe/article/view/8140>
- Atkinson, A. B., & Brandolini, A. (2001). Promise and pitfalls in using "secondary" datasets: Income inequality in OECD countries as a case study. *Journal of Economic Literature*, 39(3), 771-799. <https://doi.org/10.1257/jel.39.3.771>
- Barro, R. J. (2001). Human capital and growth. *The American Economic Review*, 91(2), 12-17. <http://www.jstor.org/stable/2677725>
- Braun, M., Parro, F., & Valenzuela, P. (2019). Does finance alter the relationship between inequality and growth? *Economic Inquiry*, 57(1), 410-428. <https://doi.org/10.1111/ecin.12581>
- Cohen, J., Cohen, P., West, S.G., & Aiken, L.S. (2002). Applied Multiple Regression/Correlation Analysis for the Behavioral Sciences (3rd ed.). Routledge. <https://doi.org/10.4324/9780203774441>
- Fearon, D., & David, D. L. (2003) Ethnicity, insurgency, and civil war. *American Political Science Review* 97(1), 75-90. https://econpapers.repec.org/RePEc:cup:apsrev:v:97:y:2003:i:01:p:75-90_00
- Le, Q. H., & Nguyen, H. N. (2019). The impact of income inequality on economic growth in Vietnam: An empirical analysis. *Asian Economic and Financial Review*, 9(5), 617-629. <https://doi.org/10.18488/journal.aefr.2019.95.617.629>
- Lowe, A. (1954). The classical theory of economic growth. *Social Research*, 21(2), 127-158. <http://www.jstor.org/stable/40982378>
- Madsen, J. B., Islam, M. R., & Doucouliagos, H. (2018). Inequality, financial development and economic growth in the OECD, 1870-2011. *European Economic Review*, 101, 605-624. <https://doi.org/10.1016/j.eurocorev.2017.11.004>
- Meierrieks, D., & Gries, T. (2013). Causality between terrorism and economic growth. *Journal of Peace Research*, 50(1), 91-104. <https://doi.org/10.1177/0022343312445650>
- Mauro, P. (1995). Corruption and growth. *The Quarterly Journal of Economics* 110(3), 681-712. <https://doi.org/10.2307/2946696>
- Nambie, N. B., Dadzie, P., & Haywood-Dadzie, D. O. (2023). Measuring the effect of income inequality, financial inclusion, investment, and unemployment on economic growth in Africa: A moderating role of digital financial technology. *International Journal of Economics and Financial Issues*, 13(4), 111-124. <https://doi.org/10.32479/ijefi.14425>
- Nel, P. (2003). Income inequality, economic growth, and political instability in Sub-Saharan Africa. *The Journal of Modern African Studies*, 41(4), 611-639. <https://doi.org/10.1017/S0022278X03004403>
- Neumark, D., Burn, I., & Button, P. (2018). Is it harder for older workers to find jobs? New and improved evidence from a field experiment. *Journal of Political Economy*, 126(4), 1734-1781. <http://www.nber.org/papers/w21669>

- Ngubane, M. Z., Mdebele, S., & Kaseeram, I. (2023). Economic growth, unemployment, and poverty: Linear and non-linear evidence from South Africa. *Heliyon*, 9(10), e20267. <https://doi.org/10.1016/j.heliyon.2023.e20267>.
- Okun, A. M. (1962). Potential GNP: Its measurement and significance. American Statistical Association. Proceedings of the Business and Economics Section, 98-104. <https://www.sciepub.com/reference/294493>
- Ostry, J. D., Berg, A., & Tsangarides, C. G. (2014). Redistribution, inequality, and growth. IMF Staff Discussion Note, 14(02), 1-41. <https://www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf>
- Ozek, Y. (2020). Political stability and economic growth relation: The case of Turkey and Turkic Republics. *Journal of Economics Finance and Accounting*, 7(3), 263-273. <https://doi.org/10.17261/Pressacademia.2020.1293>
- Paldam, M. (1998). Does economic growth lead to political stability? In: Borner, S., Paldam, M. (eds) The political dimension of economic growth. *International Economic Association Series*. Palgrave Macmillan, London. https://doi.org/10.1007/978-1-349-26284-7_9
- Persson, T., & Tabellini, G. (1994). Is inequality harmful to growth? Theory and evidence. *The American Economic Review*, 84(3599), 600-621. <https://ideas.repec.org/a/iec/inveco/v18y1994i1p97-116.html>
- Probosiwi, R. (2016). Unemployment and its influence on poverty level. *Jurnal Penelitian Kesejahteraan Sosial*, 15(2), 89-100. <https://doi.org/10.31105/jpks.v15i2.1349>
- Rodrik, D. (1999). Where did all the growth go? External shocks, social conflict, and growth collapse. *Journal of Economic Growth*, 4(4), 385-412. <https://doi.org/10.1023/A:1009863208706>
- Reinhart, C. M., & Rogoff, K. S. (2010). Growth in a time of debt. *American Economic Review*, 100(2), 573-578. <https://doi.org/10.1257/aer.100.2.573>
- Sarstedt, M. (2019). Revisiting Hair Et al.'s Multivariate Data Analysis: 40 Years Later. https://doi.org/10.1007/978-3-030-06031-2_15.
- Suryani, K. G., & Woyanti, N. (2021). The effect of economic growth, HDI, District/City minimum wage and unemployment on inequity of income distribution in province of D.I Yogyakarta (2010-2018), *Economics and Management Media*, 36(2), 170-180. <https://doi.org/10.24856/mem.v36i2.1990>
- Tabachnick, B. G., & Fidell, L. S. (2013). *Using Multivariate Statistics (6th ed.)*. Boston, MA: Pearson. <https://www.scirp.org/reference/ReferencesPapers?ReferenceID=1541229>
- Tenzin, U. (2019). The nexus among economic growth, inflation and unemployment in Bhutan. *South Asia Economic Journal* 20(1), 94-105. <https://doi.org/10.1177/1391561418822204>
- Thapa, R., Dhakal, S. C., & Gurung, B. (2022). Relationship between unemployment rate and economic growth in Nepal: An econometric estimation. *Turkish Journal of Agriculture - Food Science and Technology*, 10(9), 1586-1593. <https://doi.org/10.24925/turjaf.v10i8.1586-1593.5358>
- Topuz, S. G. (2022). The relationship between income inequality and economic growth: Are transmission channels effective? *Social Indicators Research*, 162, 1177-1231. <https://doi.org/10.1007/s11205-022-02882-0>

- Trabelsi, M. A. (2023). The impact of corruption on economic growth: A nonlinear evidence. *Corruption*, 14. <https://doi.org/10.5772/intechopen.108876>
- Transparency International. (2023). Corruption Perceptions Index. <https://www.transparency.org/en/cpi/2022>
- Vandenberg, P. (2002). North's institutionalism and the prospect of combining theoretical approaches. *Cambridge Journal of Economics*, 26(2), 217–235. <http://www.jstor.org/stable/23600264>