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Unravelling Nepal's
Crisis: Analysis
&
Implications

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Abstract

Nepal is undergoing its gravest political crisis since the abolition of monarchy in 2008. Widespread protests triggered by Gen Z forced Prime Minister KP Sharma Oli to resign and brought the country to a standstill. Sparked by social media ban, the movement evolved into a revolt against corruption, nepotism and elite dominance. With many dead in the widespread arson and the Army enforcing curfews, Nepal faces a governance vacuum amidst economic stagnation, mass migration and geopolitical pressures from India, China and the West. The uprising, rooted in disillusionment and demand for reform, reflects a generational rejection of entrenched politics, carrying profound implications for stability and India's security.

Keywords: Gen Z led protests, Nepo kids, Social media ban, Demand for reform Stability and security, Generational rejection

Nepal is in the throes of one of its most momentous political crises since the abolition of Monarchy in 2008. The resignation of Prime Minister (now former) KP Sharma Oli on 09 September 2025, amid Gen Z led nationwide protests, has brought into open the fault lines of a tenuous democracy grappling with corruption, elite capture and competing geopolitical pressures (India Today, 2025). The protests, sparked by a widespread social media ban ordered by the Ministry of Home Affairs under Narayan Kaji Shrestha, have escalated into a revolt against systemic corruption, nepotism and the exclusionary politics of the old guard. More than 20 activists have been killed in clashes with police, even after the Nepal Army, on 10 September, took control of key sites in Kathmandu, including the Tribhuvan International Airport, underscoring the gravity of the moment (The Kathmandu Post, 2025).

Rise of Gen Z as a Political Force

The youth-driven demonstrations were noteworthy not only for their scale but also for their mode of organisation. Platforms like Instagram, Discord and YouTube became digital battlegrounds for mobilisation, cutting across Kathmandu's urban neighbourhoods and the diaspora abroad (Walker and Dahal, 2025). Sudan Gurung, president of the NGO "Hami

Nepal” has emerged as a leading civic voice, denoting a generational demand for accountability and change.

For young Nepalis, the grievances run deeper than censorship; with nearly eight lakh youth leaving the country annually in hunt of jobs, (World Bank), frustration formed over the years. It is mostly due to endemic corruption, weak governance and the dominance of “nepo kids”; the privileged progenies of political dynasties. Politicians like Gagan Thapa of the Nepali Congress have arisen as icons of reformist aspirations, in contrast to entrenched senior figures such as Pushpa Kamal Dahal “Prachanda”. Madhav Kumar Nepal and Sher Bahadur Deuba, who have dominated post-monarchy politics. Their uprising echoes both disillusionment and aspirations— a rejection of elite stagnation and a demand for systemic reforms.

Corruption, Nepotism and the “Deep State” Narrative

Allegations of corruption have long dogged Nepal's political class. From the “Giri Bandhu Tea Estate” scandal to the “Lalita Niwas” land scam, senior politicians, bureaucrats and business elites have been incriminated in plots that symbolises elite collusion (Transparency International). Such cases reinforce public perceptions of a “deep state”—a shadowy nexus of power operating beyond public accountability. A current viral thread on social media contended that Nepal's Gen Z protests were orchestrated by a global “Deep State” playbook for regime change, citing parallels with uprisings elsewhere. While such claims lean heavily on conspiratorial framing, they do not resonate because of Nepal's lived reality—an embedded ruling elite resistant to reform and a public sector hollowed out by graft and patronage.

The protests, due to spontaneity and gamut, appear to be far more organic than orchestrated. The remonstrations reveal long-simmering annoyance with a “spoiled system” wherein corruption is normalised and youth are excluded. The “deep state” may not be an external conspiracy, but domestically rooted political and business networks functioning very much like one. Beyond politics, the crisis is rooted in economic despair and control measures that includes the following:

- **Digital disruption.** The blackout of WhatsApp, Facebook, Instagram, YouTube and X (Former Twitter) under the Electronic Registration and Regulation of Social Media

Platforms Bill, crippled digital livelihoods. Students, freelancers, and small businesses, reliant on these tools for learning and work, were abruptly cut off (Das, P.K., 2025).

- ***Stagnating economy.*** Youth unemployment is at one in five, while Nepal's per capita GDP (\$1,458) lags far behind India's (\$2,878) {World Bank}.
- ***Migration pressures.*** Remittances now account for 33.1% of GDP, reflecting the exodus of workers abroad due to lack of opportunity at home (World Bank).

The amalgamation of marginalisation, inequality and disillusionment rationalises why Nepal's youth indulged in protests and arson making these protests both political and disparaging. Prime properties, including government structures, public and civil estate was destroyed:

- ***Government Institutions.*** Singha Darbar, Parliament and the Supreme Court were targeted, with parts of the restored west façade of Singha Darbar destroyed and hundreds of case files at the Supreme Court lost to fire (Nepali Times, 2025).
- ***Media and Education.*** Schools, media offices and other civic buildings were torched or looted, leaving institutions incapacitated.
- ***Casualties and Law Enforcement.*** At least 20 people were killed storming Parliament, while policemen were lynched at Tinkune and Budanilkantha. Vehicles were torched, and concerns remain over prison breaks amid the chaos (Nepali Times, 2025).

Political Vacuum in Kathmandu

With Oli's resignation, Nepal faces a governance void. The Army has assumed security control, while President Ram Chandra Poudel has begun consultations to steer the country towards a caretaker or consensus government (THT, 2025). Constitutional provisions provide certain guidelines. Under Article 273, the President can invoke emergency powers with parliamentary approval, though limited to three months. If consensus fails, Article 76(5) allows for an interim Prime Minister from Parliament who can appoint up to 25 non-elected ministers for six months (Constitution of Nepal). Experts warn against rushing into a wholesale constitutional rewrite, given the decade-long struggle that produced the 2015 charter (Karki, S. 2025). The Army has imposed a nationwide curfew to restore order, underscoring the fragility of civic life in Kathmandu's streets.

The Role of the Army and Judiciary

The Nepal Army, traditionally aligned with the Monarchy, is now embedded in the republican order. It remains the country's most stable and respected body (Adhikari, A. 2014). Its intervention to secure key installations, enforce curfews, and prevent further chaos was decisive. Unlike in Pakistan or Myanmar, the Army does not overtly govern, but its implicit authority makes it a quiet arbiter in moments of paralysis. It avoids overt politics, wields an implicit veto power that shapes decision-making, and steers clear of taking sides. In future, as federalism evolves, it may be drawn into maintaining cohesion amidst provincial unrest and remain Nepal's most stable institution. While an outright takeover by the Army is unlikely, it could act as a taciturn conciliator or "insurance mechanism" nudging politics towards stability whenever governance falters. The judiciary, too, has played a constitutional balancing role in the past, notably in 2021, when it overturned Oli's attempt to dissolve the Parliament (ALJazeera, 2021). In the current crisis, its rulings on curfews, censorship, and protest rights will determine whether constitutional checks restrain executive overreach.

Geopolitical Ripples

Nepal's instability reverberates beyond its borders:

- India views unrest in Nepal, especially in the Tarai / Madhes, as a direct security concern. Cross-border ties mean instability risks spilling into Bihar and Uttar Pradesh. Madhesi leaders like Uppendra Yadav have already warned of borderland unrest (The Himalayan Times, 2025).
- China, with growing influence since 2017 through BRI projects, fears youth-led upheaval may weaken elites aligned with Beijing (Huaxia, 2024).
- The US and EU have condemned censorship and excessive force, siding with civil society's push for accountability. Human rights groups like Amnesty International and Human Rights Watch have criticised police brutality, while the UN Resident Coordinator has urged dialogue.

Thus, Nepal risks becoming a micro-theatre of great power rivalry with India and China vying for influence, while the West frames the crisis as a test of democracy and digital rights.

Analysis of the Current Situation

Nepal's current crisis stems from an incomplete political transition and fragile governance since the abolition of Monarchy in 2008. Frequent government changes, weak coalition politics and leadership contentions have undermined stability. The 2015 Constitution,

though a milestone, left many groups including Madhesis, Tharus, Janajatis, disappointed over representation and autonomy. Ethnic tensions and unresolved demands for identity-based federalism persist and is further compounded by weak implementation of federalism as provinces lack sufficient financial and administrative powers. Confusion between central, provincial and local authorities hampers effective governance, while widespread corruption and poor public services have eroded trust in institutions.

Superimposing this are economic vulnerabilities and external pressures. Nepal depends heavily on remittances, has a weak industrial base, inadequate infrastructure and suffers from inflation, unemployment and limited investment opportunities. The 2015 earthquake and recurring floods and landslides have exposed climate vulnerabilities, worsening recovery and livelihoods. Youth migration continues to drain talent, fuelling disillusionment amongst those left behind. At times, Nepal faces competing pressures, caught between India and China. It has witnessed strained ties with India over border disputes and blockades and coinciding Chinese influence. These historical, structural, and geopolitical strains converge into today's political instability, economic stagnation and social unrest.

Implications for India

The Tarai region is both Nepal's most delicate domestic fault line and India's urgent security concern because of its cross-border ethnic ties. The Madhesis of the Tarai share close linguistic, cultural and familial links with communities in Bihar and eastern Uttar Pradesh, making any unrest in the region a transnational issue. Any turmoil over political exclusion, federalism, or policing can instantly spill into India's bordering districts, igniting solidarity protests or refugee flows. Kathmandu has often accused New Delhi of "backing Madhesi demands", which complicates India's balancing act between supporting inclusion and avoiding charges of interference.

Unpredictability in the Tarai also brings security and migration risks. It can embolden criminal networks, smuggling of arms, fake currency and contraband, while providing space for anti-India elements, potentially with external backing. India is especially wary of China promoting influence in Tarai politics through infrastructure or local leaders, which could dilute India's natural advantage. Given the open 1,700 km India–Nepal border, prolonged unrest could increase migration into India, straining local resources and heightening political sensitivities. Remittance-dependent Nepali youth working in India already form an informal economic bridge, and political turmoil could accelerate this trend.

The wider political, economic, and strategic fallout for India is substantial. Border states may see echoes of Madhesi grievances, with opposition parties using Nepal's unrest as a campaign theme. Economic stakes are also high as Nepal's largest trade partner and transit route, India risks interruption of trucking, fuel supplies and cross-border trade if instability or blockades persist, hurting both economies. Strategically, a China-friendly government in Kathmandu combined with Tarai unrest would create a two-front challenge. India's likely course will be to support moderate forces in Kathmandu, discreetly engage Madhesi leaders, and strengthen border infrastructure and intelligence in Bihar–UP while keeping a low-profile but active hand to safeguard its interests.

Prognosis

In the immediate term, Gen Z groups are expected to consolidate leadership choices and channel them through constitutional mechanisms. There is no consensus, however. While some groups endorsed former Chief Justice Sushila Karki as a potential caretaker Prime Minister, others backed Kathmandu Mayor Balen Shah, lawmaker Sumana Shrestha, or former NEA chief Kulman Ghising for the post. Finally, Justice Sushila Karki was selected as the interim Prime Minister. This reflects the absence of unified leadership, with some royalists or fringe elements attempting to ride the movement's energy (Karki, S. 2025). The caretaker government's primary mandate will be to conduct free and fair elections and restore institutional functionality (Karki, S. 2025).¹ Longer term, the stakes are clear:

- If reforms in governance, federalism, and anti-corruption are pursued, then Nepal could turn this crisis into democratic renewal.
- If ignored, frustration may harden into chronic instability, fuelling migration, elite capture, and geopolitical tug-of-war.

Conclusion

Nepal's youth uprising is not just a generational protest— it is a referendum on a political system that has failed to deliver accountability and opportunity. Whether framed as a rebellion against a “deep state” or entrenched elites, the message is alike— business as usual is no longer acceptable. The path forward is uncertain. But if Nepal's leaders fail to heed this call, the rage of its youth will return stronger, reshaping the country's political destiny.

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