Academia Journal of Humanities & Social Sciences
Volume 2, April 2025
[Peer-Reviewed and Indexed in NepJOL]
p-ISSN 3021-9841; e-ISSN 3021-985X
http://myagdicampus.edu.np/academia/
MMC, Beni

Research Article/ Physical Assets and Economic Growth

Investing in Physical Assets and Economic Development: Perspectives on Sustainability

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Article History:
Submitted 22 December 2024
Reviewed 26 February 2025
Revised 28 February 2025
Accepted 21 March 2025

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Article DOI:
https://doi.org/10.3126/ajhss.v2i1.77166

ABSTRACT

This paper examines the investment practices in Nepal, focusing on the prevalent trend of investing in physical assets such as land and houses, and its implications for economic development. The study adopts a mixed-methods approach, combining exploratory and descriptive research designs. The primary data were collected through the semi-structured questionnaires from 18 households in Adarshabasti Tole Bikash Sanstha, Pokhara Metropolitan City-18, Kaski District. The findings of the study reveal that most households prefer investing in physical property due to the factors such as potential price appreciation, social pressures, and cultural influences. However, the barriers such as market uncertainty, political instability, limited financing options, and high property costs hinder investment in more productive sectors like business and trade. While there is a strong preference for business investment across the different caste groups, the concerns about government support and financial risks deter an active involvement in the entrepreneurial ventures. The study highlights a complex relationship between the property markets and business investment. The paper concludes that addressing the barriers to business investment and reducing the market uncertainties can encourage more diversified investment practices, leading to the sustainable economic growth. This study contributes to the field of development studies by examining how the traditional investment practices in physical assets impact a long-term economic development in Nepal.

KEYWORDS: Physical assets, investment practices, entrepreneurship, economic development

INTRODUCTION

Investment can be defined as a commitment of funds made in the expectations of some positive rate of return. If the investment is positively undertaken, the return will be commensurate with the risk the investor assumes (Fischer & Jordan, 2003). Therefore, there is an interrelationship between investment and economic development. The activity of investment involves the implementation part of ideas, sources, and methods. It ends with some outcomes. As a result, investment in the income generating activities or developmental activities increases the employment rate, GDP, and helps upgrade the living standard of the people. Thus, the economic prosperity requires lots of procedures and its proper implementation. In this regard, Xiaoqing (2005) claims,

> In a given period, with given inputs and resources allocation, society will improve marginal productivity and bring the steady national economy growth. Investment in physical capital and health is the precondition of economic growth. An advanced production technology can be obtained by increasing the investment in physical capital. (p. 24).

Frequent investment in the physical infrastructure, technology, and human resources justifies economic development in a sustainable manner. Therefore, it is a general understanding that the continuity of investment and its proper management carves an authentic path of the profound economic growth.

In Nepal, a significant portion of household savings is channeled into physical assets such as land and houses, rather than more productive sectors like business and trade. This trend is influenced by the cultural factors, social pressures, and the perceived security as people often freeze the capital that could otherwise be used for the income-generating activities, thereby slowing economic growth (Kuchanur, 2015). Generally, the investment practices in Nepal are shaped by a variety of factors, with a strong preference for physical assets like land and houses over more productive sectors such as business and trade. Financial literacy, as emphasized by Lusardi and Mitchell (2014), plays a significant role in the investment decisions. The individuals with higher financial literacy are more likely to diversify their investment into the productive sectors, while those with lower literacy tend to favor safer and tangible assets. Political instability, as explored by Alesina and Perotti (1996), further discourages the long-term business investments, pushing these individuals toward the short-term and secure assets like land and gold. The behavioral economics, particularly the concept of “loss aversion” introduced by Kahneman and Tversky (1979), explains why people prefer investments perceived as safe, even if they offer the lower returns. This tendency is evident in Nepal, where the fear of losing money in the business ventures drives investment in physical assets. Remittances, as studied by Adams and Page (2005), also play a crucial role, with a significant portion being invested in land and houses rather than in the productive sectors. This is particularly relevant in Nepal, where remittances form a large part of the GDP. Additionally, De Soto (2001) highlights that in developing economies like Nepal, land serves as a store of value due to lack of reliable financial institutions. Urbanization, as discussed by Glaeser et al. (2005), further fuel a demand for the property investments, especially in the rapidly growing cities like Kathmandu and Pokhara. The social networks, as Granovetter (1985) points out, also influence the investment behavior, with the community pressures often encouraging investments in physical assets to gain a social status and security. The weak property rights, as examined by Besley (1995), create the additional barriers to investing in the productive sectors, as the individuals prefer the assets like land that can be more easily controlled and protected. Finally, the lack of access to quality education and business training, as argued by Becker (1964), limits the individuals' ability to engage in the complex financial activities, reinforcing the preference for physical assets. This paper seeks to explore the actual reasons behind this investment behavior and its implications for economic development in Nepal.

The study is grounded on the productive investment theory published in *The Theory of Economic Development* of Schumpeter (1911), which emphasizes the role of entrepreneurship, innovation, and creative destruction in driving the economic growth. According to him, these forces compel the economy of an individual or nation toward higher productivity, economic expansion, and wealth creation, replacing the outdated activities or culture. He expanded on these ideas in *Capitalism, Socialism, and Democracy* by Schumpeter (1942). He argues that productive investment in the new technologies, products, and services is essential for the long-term economic prosperity. Langroodi (2021) argues on the basis of the productive investment theory that the economic growth is possible through the process of capitalistic development, initiated by the introduction of a new combination of investment diversities and innovation created by the entrepreneurs. The productive investment is characterized in Schumpeter's framework (1911) as follows:

1) Investment in Innovation: Rather than simply allocating investment to maintain or expand existing financial sector, it encourages to invest in new productive area, technologies, products or services. As a result, there will be high economic activity and income growth.
2) Entrepreneurship: Entrepreneurship is a core of Schumpeter's model. Entrepreneurs recognize opportunities for innovation, mobilize resources such as physical assets, and take risks related to introducing new products or services. They regulate the engine of economic prosperity.
3) Creative Destruction: This denotes the process of replacing the older, less efficient firms or industries or practices by newer, advanced ones. According to Schumpeter, it is a healthy and necessary part of economic development, even though it may create job losses in some sectors.
4) Long-Term Growth: Productive investment inspires industrial or business environment that have the potential to grow significantly, generate high returns and create long term employment opportunities or financial outcomes.

This theory can be applied in the context of Nepali society. For instance, Nepali people are afraid of investing in business due to various reasons and concentrate only to accumulate physical assets. As per the productive investment theory, such unlike speculative investments in lands or housing are leading the economic drawbacks and freezing the capital in the unproductive sector. Therefore, it is the present prime demand to replace such practices with the productive investments such as business and trades for the sustainable economic development.

All economic activities have contained certain norms and discipline. Investment actions should also be accurately performed. From the view of economic development activists, investment in the infrastructure development, the use of modern technology, health, education and trainings, and research activities helps to expand the area of economic growth. Chow (1993) studied the role of investment and the capital formation in five economic sectors of China: agriculture, industry, construction, transportation, and commerce, and found the significant returns. Now, China is considered a leader for the industrial development and economic growth. This clarifies that a proper investment and good economic management are the keys to the sustainable economic growth and prosperity. Perera and Paudel (2009) argue that investing the capital, information, and innovative ideas support the new investors as well and increases the additional consumption and savings. It focuses on the productive activities that generate the new ways of additional income. Thus, the economic development also helps to raise the income, expand family economy, reduce poverty, and enhance economic growth. However, Shrestha (2005) tries to alert people to a wrong mode of investment that costs high, reduces efficiency, and shrinks output and employment. Thus, people must have well-knowledge and sufficient research for the utilization of capital and innovation of new economic activities. In the context of Nepal, there is a high trend of investing a large amount of income or lifetime savings in physical assets such as land and houses. As a result, a big portion of capital freezes, slowing down the economic activities. Though the landlords or house owners are benefitted from such activities, a huge population seems deprived to involve in the economic activities. Because of such lacking of economic management skills, lots of developmental huddles are emerging at present. Fewer economic activities, a high unemployment rate, brain drain or youth drain, and attraction to abroad migration in the name of overseas study or jobs have occurred. Thus, there is a research gap in the best utilization of investment and its well management. This study attempts to find out the reality of the present investing practices of Nepali people, its drawbacks, and the possible ways of managing it from the perspectives of economics and management.

The human civilization and activities are upgraded as per the time and necessity. As a result, there is a need for modification and modernization in the sector of investment as well. Investment in the information technology-based industries, and the proper use of human resources are mostly required. According to Sapkota (2023), Nepal is not far from the tragedy of modernization, despite having undergone numerous political changes in a short span of time, which explains the persistence of various scenarios in the development, economic, and social sectors.

At present, most of the Nepali people are interested in purchasing or accumulating land, houses, gold, and other luxurious goods. A huge amount of capital is frozen in the unproductive sectors, and only certain people are benefitted from it. As a result, there is less investment in the productive sectors or income generating sectors. Kashyap (2018) advocates for the importance of technology in driving the economic development, with a focus on digital technologies, artificial intelligence, sustainable technology, and globalization. Therefore, it is necessary to fix the ongoing problems of investing in physical assets. Thus, this paper attempts to examine why most Nepali individuals prioritize accumulating physical assets, primarily land and houses, over investing in the income-generating activities or businesses. Additionally, the paper explores the impact of investing in physical assets. Finally, this paper examines the investment habits and economic development within the context of economic growth and management skills in Nepal. To achieve this objective, this paper analyzes the investment practices of Nepali people and assesses their impact on society.

RESEARCH METHODS

This study utilized a mixed-method research design, integrating both exploratory and descriptive approaches to examine the investment habits and their impact on the economic growth in the region. The study was conducted in Adarshabasti Tole Bikash Sanstha, Pokhara Metropolitan City-18, Kaski District with a focus on the households owning the ancestral land and purchasing the additional properties. A purposive sampling method was used to select 18 households, which represented approximately 10 percent of the total population in the study area.

The primary data were gathered through the semi-structured questionnaires, administered to the heads or senior members of the selected households. These questionnaires sought to collect both quantitative and qualitative information on the investment behaviors, particularly in physical assets such as land and houses. The secondary data were sourced from the authentic governmental and non-governmental publications, including the ward profiles, past studies, journals, books, and other relevant documents.

The collected data were analyzed using SPSS software, with the simple statistical techniques such as percentages, charts, cross-tabulations, and diagrams applied for the data interpretation. Both the quantitative and qualitative data were categorized and presented based on the research objectives. Descriptive analysis was primarily used to address the study's research questions.

The study aimed to explore the investment habits and the economic management practices of Nepali households, with a particular focus on land and property investments. It sought to identify factors influencing these investment decisions and to encourage a shift toward investment in the productive sectors. The findings of the study are expected to inform the local government policies aimed at promoting the entrepreneurship and income-generating activities within the community.

The study was limited in scope, focusing on a specific community and examining the economics of accumulating physical assets, as well as the challenges and barriers to investing in the business ventures. It was a small-scale study designed to provide the insights into the investment behaviors within a localized area of Nepali society.

RESULTS

This section is focused on the outcomes of the data related to the investment practices of Nepali people and the affecting factors on such investment. Moreover, the essential logics are tried to be discussed for a purposive conclusion. In Nepal, people are highly inspired to invest their lifetime savings to purchase physical assets such as land and houses though it is not primarily essential for their life. It seems to vary in their investment, but this purpose denotes a similar motive. Here, we can observe the different level of purchasing and desires for it.

Table 1

Amount of Invest Amount in Private Property (Land or House)

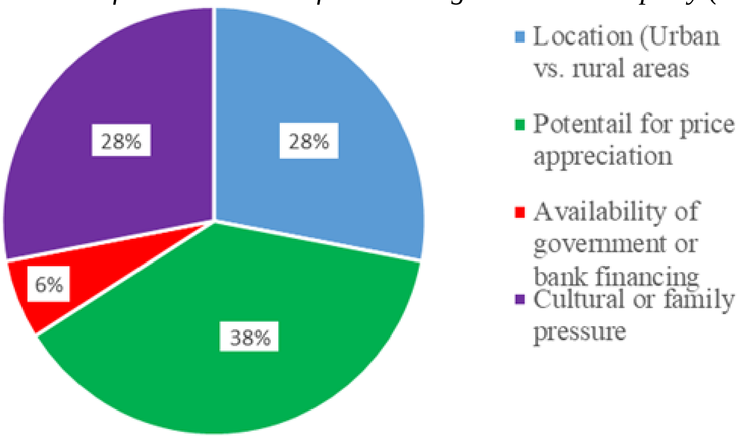
SN	Total Purchased Amount	Frequency	Percentage
1	Less than five million	11	61
2	Six to ten million	4	22
3	Ten to fifteen million	1	6
4	Sixteen to twenty million	2	11
	Total	18	100

Source: Field visit, 2025

Table 1 explores a clear scenario of people's interest and the amount invested in purchasing the land or houses. Out of total households, 61 percent households have spent less than five million to purchase land or build houses. Similarly, 28 percent of the households have invested six to fifteen million, and only eleven percent of households have capitalized up to twenty million. This suggests that the majority of property buyers are focused on more affordable options, with a smaller segment willing or able to invest in higher-value properties. The data reflect a trend towards the conservative or budget-conscious property investment.

Figure 1

Reasons of the Households for Investing in Private Property (Land or House)

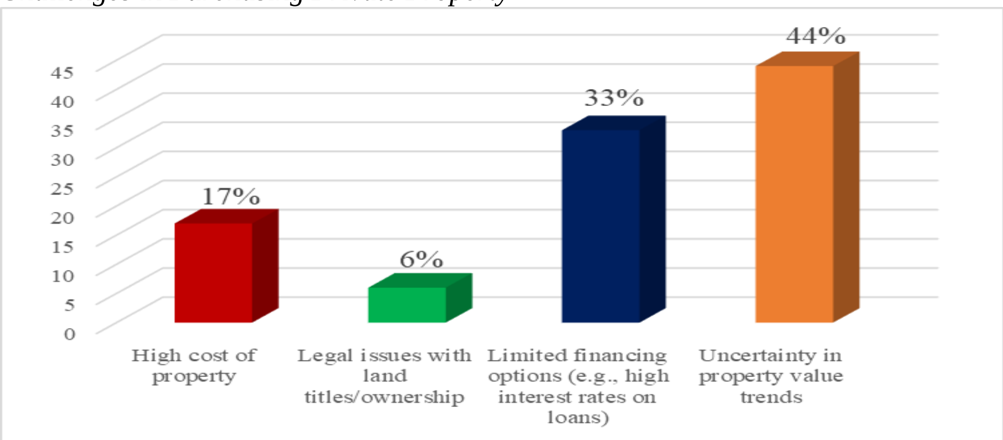


Source: Field Survey, 2025

Figure 1 describes the actual reasons, the households invest in private property, especially in land and houses. The largest portion of 38 percent of the households have purchased the physical property due to reason of potential for the price appreciation whereas motive of locality and cultural or family pressure occupies equally with 28 percent independently. The least amount, 6 percent, is shared by the reason of easy availability of government or bank financing. According to Kuchanur (2015), it is understood that people tend to invest their savings in the assets, they consider appropriate as per their needs. When making the investment decisions, they generally evaluate the factors such as the risk involved, the potential return, and the asset's marketability.

Figure 2

Challenges in Purchasing Private Property

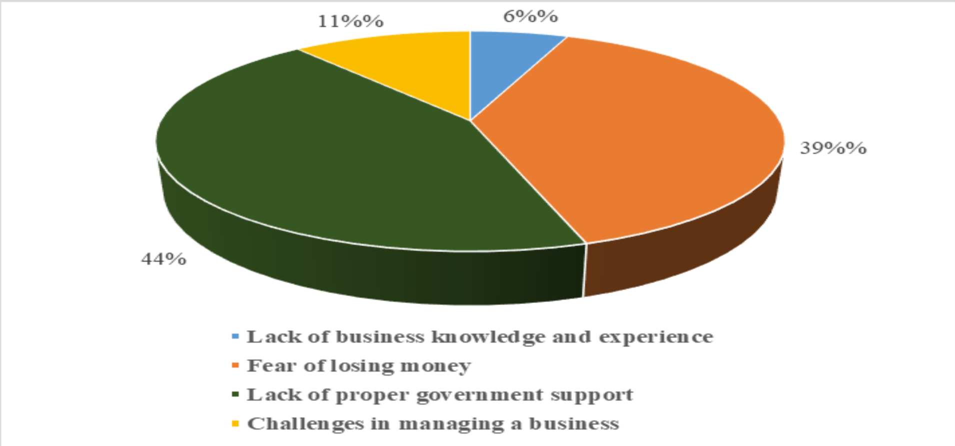


Source: Field Survey, 2025

Figure 2 illustrates the challenges in purchasing the private property, categorizing them mainly into four parts. Here, the data explore that uncertainty in the property value trends is the most significant difficulty which has occupied about half of the total census, paying an attention on the concerns over the market volatility. The limited financing options cover about one-fourth, highlighting the high interest rate, which seems to be a major barrier to purchasing the private property. The high property cost and legal issues with the land titles/ownership are the secondary concerns covering remained the one fourth portion. These two issues represent the market fluctuation and unfavorable legal provisions. Here, people are purchasing land or houses even though there are some severe issues in addressing the market uncertainty, improving the financing options and stabilizing the property.

Figure 3

Reasons of Discouraging People to Invest in Business

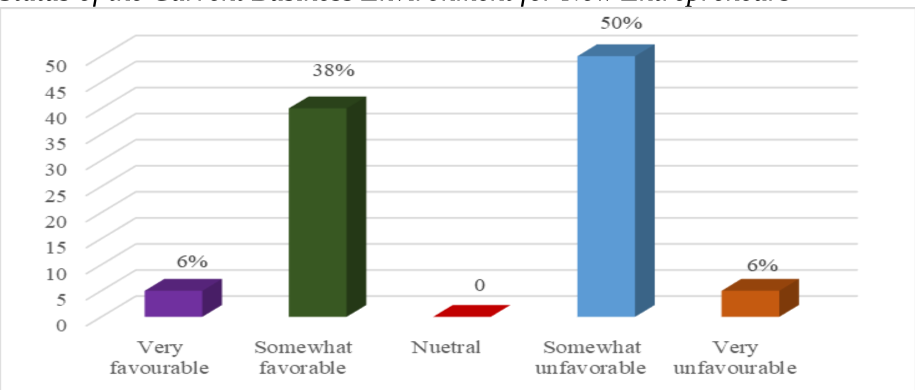


Source: Field Survey, 2025

Figure 3 discloses several challenges faced by the individuals in investing in business. A significant part of the census, 44 percent respondents have the strong reason of being a lack of proper government support, while another significant challenge, the fear of losing investment money, is occupied by 39 percent, reflecting a common concern among the investors. Lack of business knowledge and experience seems to be a smaller but still notable barrier to investment with 6 percent, and the challenges in managing a business deal with 11 percent, performing as a disturbance for investing in business.

Figure 4

Status of the Current Business Environment for New Entrepreneurs



Source: Field Survey, 2025

The data displayed in Figure 4 reveal the fact that half of the total census (50 percent) pursued their views on the business environment as somewhat unfavorable now, suggesting the significant challenges for the new entrepreneurs. Additionally, nearly half (38 percent) found it somewhat favorable, indicating some potential but with notable obstacles. Very favorable or very unfavorable seemed to play an equal role of 6 percent independently.

Table 2

Caste-wise Preferred Investment Area in the Future

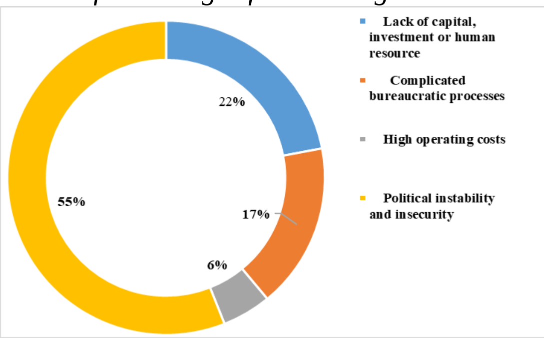
Caste /Ethnicity	Preferred investment area in the future				Total
	Land/House	Startups or Existing Businesses	Stocks/Financial Assets	Others	
Brahmin	1	7	2	1	11
Chhetri	0	2	0	0	2
Janajati	0	0	0	1	1
Dalit	1	3	0	0	4
Total	2	12	2	2	18

Source: Field Survey, 2025

Table 2 shows the preferred investment areas across four caste groups with a total of 18 participants. Here, the most participants, with 12 respondents, prefer investing in startups or existing businesses in the coming days. Similarly, each 2 participants desire to purchase land or houses, invest in stocks or financial assets, and others referring the investment in the foreign employment. During this data collection process, Brahmins have the largest representation (11 participants), with most preferring business investment (7 votes) and the remaining shows the interest in other fields. Dalit (3 participants) and Chhetri (2 participants) also express their interest in business, and the remaining one Dalit prefers purchasing land. Janajati (1 participant) chose others, meaning the overseas employment.

Figure 5

Status of Challenges for Running Business

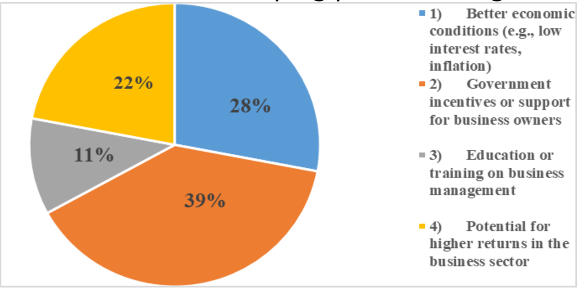


Source: Field Survey, 2025

Figure 5 indicates the present status of challenges for running a business in Nepal. The dataset presents the challenges with the percentages indicating the level of concern for the issues. Here, political instability and insecurity (55 percent) represent the most significant concerns for the business owners, keeping a view that the external factors such as political discontinuity are the major barriers to the smooth business operations. Lack of capital, investment or human resources (22 percent) also depicts a considerable challenge, highlighting the financial and resource constraints. The complicated bureaucratic process (17 percent) and high operating costs (6 percent) are the other notable issues, indicating the regulatory hurdles faced by the businesses, and reflecting the concern over the cost-related issues as compared to the other factors.

Figure 6

Motivations Behind Shifting from Investing in Private Physical Assets to Business



Source: Field Survey, 2025

Figure 6 analyzes the motivation factors shifting from investing in the private property to business. It seems a strong evidence that the government incentives or support for the business owners (39 percent) becomes the most significant factor for driving this pattern. At present, the governmental role and supportive financial policy play a pivotal role in promoting the business practices. Similarly, better economic conditions such as the low interest rates and inflation (28 percent) also play an important role since these factors generate a suitable business environment to the entrepreneurs. The potential for higher returns (22 percent) and education or training on business management (11 percent) are the additional factors influencing the decision to engage in the business practices. This would specify that the probability of higher returns and business-related knowledge or skills foster the business and motivate people to attract towards the economic growth led by the business-driven motives.

Table 3

Property Market vs Business Investment Environment over the Next 5-10 Yrs

	Business investment environment over the next 5-10 yrs				
Property market over the next 5-10 yrs	Strong growth of new business	Moderate growth of new business	No significant change	Decline in new business opportunities	Total
Strong growth in property	0	0	1	1	2
Moderate growth	1	2	2	2	7
No significant change	0	2	1	1	4
Decline in Property value	0	2	1	2	5
Total	1	6	5	6	18

Source: Field Survey, 2025

Table 3 explores the possible scenario of the private property market and business investment within 5-10 years. It declares that there is not the proportional growth between these two natures of investment. Here, a strong property growth is connected to the stable position or possible decline. A moderate growth for the present constant situation of decrease in the new business opportunities leads over the possibility of new business promotion. An equal possibility of no significant change for business development and a comparatively fall at the present business level denotes the noticeable drawbacks for creating the new businesses. Similarly, the declining property values are most often associated with a decline in the business opportunities, though some cases show a moderate growth or stability in business investment. Overall, the property market and business investment trends are somehow connected but exhibit a considerable variation in their impact on each other.

DISCUSSION

The findings show that the individuals generally invest their savings in physical assets such as land and houses since they believe it aligns with their needs. This truth suggests that the most property investments are driven by the financial growth potential, with the social or cultural factors and family pressure are also playing a significant role. It clearly discloses that people are accumulating the private physical property for their own interest rather than actual necessity or compulsion. While they are investing in physical assets, they are also facing certain hurdles such as uncertain markets for physical assets, high interest rates in the capital formation, and property costs, which are the primary challenges to property investment. Addressing these problems, especially the financing options and market stability, could increase the investor confidence in the property markets. Though the individuals are fond of investing in assets, the shift from speculative investments in land or houses to the productive investments in business and trade is essential for a sustainable economic growth, but it requires the overcoming structural barriers, including the interest in business, access to the capital infrastructure, and the supportive entrepreneurial ecosystem. Overall, the combination of higher return prospects, the business-friendly government policies, the financial support, and the business knowledge can motivate people toward a business-driven economic growth.

It is vigilant that a lack of government support and financial risk are the most significant barriers to business investment, followed by the issues of business knowledge and management challenges. Shrestha (2024) claims that the investment decision of an individual investor is influenced by macro or microeconomic and behavioral factors, governmental attempts to monitor or guide the interest rates, economic growth, inflation, technical development, and cash flow yield. It is clear that the policymakers should first focus on establishing a business-friendly environment to encourage entrepreneurship and investment. Ultimately, addressing government support, financial risk management, and business education could be the prime strategies for encouraging people to invest in business. Chaudhary (2023) argues that Nepal presents a more complex and challenging investment landscape, characterized by political instability, weak governance, and inadequate infrastructure which demonstrates the present reality of challenges for running business. In the context of Nepal, this study shows that political instability is the dominant challenge, with the financial and bureaucratic issues also being the significant concerns for threatening business promotion. Similarly, it is a crucial outlook for new businesses due to the substantial barriers to success. The fact forecasts a challenging business environment for the new entrepreneurs. However, policy improvements, better access to resources, political stability, and reduced barriers strategies would be the effective weapons to foster entrepreneurship in the coming days. Since the mixed perceptions of business settings reflect both existing hurdles and potential, it is the present demand to divert the passive practices of investing in business and ensure proper guidance and support to the new entrepreneurs for the individual or social economic prosperity. It is essential to replace the existing investing practices in physical assets with the productive behavior of capitalizing in business for sustainable growth.

Overall, the data suggest a strong preference for business investments in certain circumstances. It is found that there is still a high preference for investing in business along with the proper assurance of investment security. The external economic and governmental roles, along with political stability, have a stronger impact, and additional motivation of ensuring the practical business knowledge and skills drives the investment pattern from the private property to the business activities.

CONCLUSION

This study explores the investment habits of people and economic development within the context of Nepal. It highlights the trend of purchasing physical assets like land and houses and its impact on broader economic growth. This study demonstrates that while such investments that freeze the capital are prevalent excessively, it is not possible to achieve a desirable economic growth. Thus, people should limit investment in the private property accumulation and diversify investment in the productive sectors like business and trades. It seems that most of the people are accumulating physical assets not for the purpose of economic growth only but for the security of their deposit or savings. They find land or house investment safer in comparison to business. Due to political instability, less governmental security, legal or bureaucratic hurdles, youth frustration, and foreign migration in search of abroad study or overseas employment, people are afraid to invest in business.

At present, it is clear that the majority of households in Nepal are investing in the physical property to secure their savings even though they have some interest in the business activities. They are motivated to invest in physical assets by the potential for price appreciation, and compelled by the social or cultural factors and family pressure. They are accumulating the land or houses despite the challenges such as market uncertainty, limited financing options, and high property costs. The study also revealed a strong preference for business investment among the different caste groups. At present, they are stepping back from business investment due to the political instability, a lack of government support, and the fear of financial loss. Finally, the analysis of the property market and business investment environment over the next 5-10 years showed a complex relationship, with a moderate growth in the property market often not aligning with the business growth opportunities.

The study highlights that in Nepal, there is a high practice of investing in physical assets rather than the income-generating activities, which has slowed the economic growth. Despite Nepali people’s interest in startups and existing businesses, the factors like political uncertainty, weak bureaucracy, limited government support, financial risks, and lack of business skills deter investment in the entrepreneurial sectors. The findings suggest that addressing the market fluctuations, improving the financing options, ensuring the political stability, and fostering the good governance could encourage more diverse investment practices. This shift could lead to job creation, economic growth, help to reduce brain drain, and lead to sustainable development. The study focuses on the need for better economic management and investment strategies to move away from the land-based investments and combat poverty.

It is just an initial attempt to dig out the reality of investment nature in the Nepali society. Therefore, it is expected that further research applying a deeper investigation is mostly needed. Only two physical assets, such as land and houses, are observed here. Hence, other luxurious physical assets should also be included for further research. As a small size research, a very minute sample size with a specific area, is studied. Since it is a national issue, it must be conducted with sufficient sampling and analyzing in depth. There must be more serious research to eradicate the present burning issues such as economic crisis, brain drain, political immaturity, and corruption relating to the investment nature of Nepali people and its proper management.

CONFLICT OF INTEREST DECLARATION

I hereby wish to declare that I do not have any conflict of interests to disclose.

AUTHOR CONTRIBUTIONS

I declare that this manuscript is originally produced by me.

ACKNOWLEDGEMENTS

I would like to express my sincere gratitude to everyone who supported me throughout the completion of this research paper. First, I am very much thankful to my respected teacher Prof. Dr. Min Pun for his continuous guidance, valuable feedback, and encouragement during this research. His expertise has been indispensable and has hugely helped to broaden my knowledge. I also wish to thank all the participants for their kind cooperation and worthy contribution to the data collection process of my research.

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To cite this article [APA 7th edition style]:
BK, R. B. (2025). Investing in physical assets and economic development: Perspectives on sustainability. *Academia Journal of Humanities & Social Sciences, 2,* 140-152. https://doi.org/10.3126/ajhss.v2i1.77166