

C A P T I O N : I

INTRODUCTION

NEPAL : The Name

Nepal is said to derive its present appellation from the founder of the Nymuni dynasty during the Treta and Dwapar. Legend is that the valley of Bhagmati had been blessed by a great saint called Ne' who practised the sacred and austere rites of meditation at the junction of Bhagmati and Keshwati (now called Vishnumali) in the Nepal Valley. All records of Hindu antiquity are affirmed to represent the present valley of Nepal as an immense lake which in the progress of ages. Gradually retired between the banks of the Bhagmati. The waving or broken nature of the ground which resembles in a striking degree, the bed of a large body of water and the soil consisting, to a considerable depth, of a block, flat earth, the product of deposited mud, are particular circumstances of the most demonstrative kind. (1)

Ancient scriptures have given various names to Nepal. It is written in Bhrigu Jantra that Nepal was known by the name Satyabati, in the satya yoga (golden age) Japoban' in the Treta yoga (silver age). Mukti Sopan' in the Dwapar yuga (copper age) and Nepal in the kaliyuga (Iron age). In some places Nepal was referred to as KIMPURUSH DESH' . However, in most ancient books the word Nepal was used to represent this country. Mentions made in Paushupati Puran Manjushree

Mulkalpa, Varaha Puran, Atharva supplements and Kautilya's Arthasastra (Economics).

So the fact that this kingdom is called Nepal from the pre-historic days, the line in which Kautilya unequivocally used the term Nepal to signify a country in his economics is quoted here.

Such use of the word Nepal' (pal means brought up) in the sense of a country hints at the antiquity of the kingdom of Nepal. (2)

However, we cannot find a historical basis for being definite about the origin of the name of Nepal' but is true to say that Nepal is a very old country with a glorious past.

LOCATION

The present shape of Nepal (147,181 sq. Kms.) has been determined by its long history, particularly that of the 19th Century. Nepal extends across the southern slope of the Himalayan between longitudes 80 degrees 4' east to 88 degrees 12' east and latitude 26 degrees 22' north to 30 degrees 27' north. Its greatest length measures 885 Kms. (east to west) and its width is non-uniform.

It cannot compare itself to its giant neighbour (China and India) in size and population. (3)

Nepal is relatively small country, about the size of illinois or slightly larger than England. It is almost as big as Bangladesh and twice the size of Srilanka. Again the Kingdom is smaller than many Indian states. (4).

Nepal is land locked country, only a few countries in world eg. Mongolia, Botswana, Lesotho and Malawi are as heavily dependent on one country alone for trade and transit facilities as Nepal. As Nepal is completely land locked, the nearest distance to sea coast being 710 Kms from her eastern border and nearest sea port being Calcutta in India. Nepal has no viable outlet to the sea save across India and must rely on it for trade and transit facilities Nepal's distance from the sea largely accounts for its backwardness in trade and developing during the last century. As Rana P.S. observers, other land locked countries - Switzerland, for example, may choose among many avenues of access to sea through different countries. Thus, the competition between the many countries offering transit facilities provides most land locked countries with easy terms of transit. But in Nepal's case the building of Kodari Road has not altered the Indian monopoly over her access to the sea. The unavoidable dependence on India for transit facilities has made Nepal virtually 'India-locked' rather than just land locked. (5)

In 1971, twenty five countries including Nepal were identified by the United Nations', on the basis of a number

of economic and social indicators, as the least developed' in the world. Sixteen of twenty five, Nepal included were land locked. These in particular were dependent to an exceptional degree on one or two relatively more industrialised neighbours for the conduct of trade and in addition trade heavily with those neighbours from a position of substantial balance of trade deficits, as in the case of Nepal with respect to India. (6)

Economically speaking, Nepal is poorer than most countries in the world with an average percapita income of less than SDR, 60 per annum. Nepal has a subsistence level agrarian economy heavily dependent upon foreign loan and aid for development.

POLITICAL BOUNDRIES

Among the northern frontiers, Nepal's International boundary with China lies in the Himalaya, sometimes described as the marginal mountains. The Himalayan range and the Tibetan boarder mountains in fact constitute a natural frontier in depth. The demarcation of the boundary line between pillars wherever possible.

On the South, Nepal, has about 825 Kms long free and open boarder with India. This boundary is demarcated by pillars set up at regular intervals.

To the North, east, Nepal touches Sikkim from which it is separated by Kanchanjunga and the Singhalila Ridge. South of the Sikkim line, the lesser foothills and the Machi river demarcate Nepal's eastern boarder with the Darjeeling district of West Bengal in India. It is there that Nepal and Bangaldesh are separated by less than 20 Kms of Indian territory.

Nepal's Western boundary with India is marked by the Makakali river which chains only a narrow strip of Western most Nepal. Beyond it is the Kumaun Himalaya of Uttar Pradesh in India. (7)

PHYSICAL DIVISION

The Hilly region of Nepal from Sikkim to Kumaun has four natural divisions created by the mountains ridges of Kunchanjunga Gosainthan, Dhaulagiri and Nanda Devi running almost parallel to each other.

The parallel ranges of the main Himalaya, the Mahabharat and Chure (Sivalik) alternate with characteristic land belts popularly known as the bhot or highlands the pahad or mid-mountains regions - the bhitri madesh or miner terai and the madhesh or terai law lands. The Nepali terrian is highly complex and varied. The general topography is extremely rugged and present a be wildering aspect of spurs and valleys, but

some order is discernible. However, each of these regions had its distinctive physical environment, population, agriculture and economy. (8)

Among the elevation zones, the zone of 1000 mtr. to 3000 mts. is the most extensive in size. It approximately includes 33% of the total area of Nepal. While the zone over 5000 mts. is the smallest one covering about 6%.

ADMINISTRATIVE DIVISIONS

For the better and effective administration, Nepal has three levels of administration divisions. The country is divided into four development regions : the Eastern, the Central, the Western and the far Western and into fourteen north-south administrative zones of Anchals (comprising of five to eight districts) which are in turn divided into 75 development districts. Among districts Dolpa is the largest and Bhaktapur the smallest in terms of total area covered by them. In physical location, 16 districts lie in mountain region, 39 districts in the hilly region, the 20 districts in the terai region- The rural areas of the district are further divided into 4015 rural panchayats of roughly 2000 persons each. Besides these, there are 33 towns panchayats. (9)

Most of the large lakes of Nepal are located in the Himalayan region. Similarly, most of the large glaciers such as the Khumbu, Barun, Yalung are confined to the central and

and eastern Himalayan region. These glaciers are the originators of the major rivers of Nepal. (10).

POPULATION

In terms of population proportion in each development region to total population it seems that this proportion has remained almost constant over the period 1952 to 1981. Most likely, reshuffling of the population has taken a vertical dimension i.e. from mountains to hills and from hills to terai rather than horizontal transverse across the region. In absolute numbers the terai region has gained between 1961-71 about 1,276,000 persons and between 1971-81 about 2,210,862 persons. Assuming that the annual population growth rate is 2% where as actual growth rate is 2.66% Half of above said number of persons have increased due to natural growth and half (nearly) due to migration. On the other hand, using the same assumption, the hills and mountains population would have amounted to 7,732,683 in 1971, but counting only 7,210,017 denotes a net movement of 5,22,666 persons. Since information on out migration is lacking, it is very difficult to ascertain that this figure represents the net movement from the hills to the terai exclusively, particularly because the terai is open to a free movement of persons to and from India. (11)

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Population of the country increased from 11,555,983 in 1971 to 15,022,839 in 1981 with an unprecedented compound growth rate of 2.66% per annum. Total population was estimated at 17,131,277 in 1986 and 17,557,355 in 1987 resulting in a compound growth rate of 2.49% during 1986/87.

Ecological distribution of population shows that 9.9% 52.5% and 37.66% of the total population lived in mountain, hill and terai zones respectively in 1971. In 1981 8.7%, 47.7% and 43.6% of the total population were found in the mountain, Hill Terai respectively. Distribution of the population in these ecological zones indicates the population flow from mountain and hill to terai during 1971-1981.

The process of urbanization remains weak during 1971-81. Urban population was 4% of the total population in 1971 and this figure increased to 6.4% in 1981. However, the number of urban area increased from 23 in 1981 to 33 in 1987 and urban population constituted about 8% in 1987. (12)

Distribution of population by development regions shows that the central development region had maximum proportion of the population which is 32.7 percent of total population. Its population was 3,865,753 persons in 1971 and by 1981 it has

to 4,909,357 persons. Its area is 27,410 sq. Kms. and density per sq. Km. is 179.0 Average density in the Central tarai was 491 persons/sq. mile in 1971 against 368 persons per sq. mile in 1961. The eradiction of malaria in the affected districts and the construction of roads across the Mahabharat and the terai belt of India have played a principal role in the rehabilitation of people in the terai and in marketing the terai production of cereals in the metropolitan city of Kathmandu, as well as allowing the export of these products to the Indian markets and abroad. In the eastern development region differences in density between the terai and hill and mountains are greater than in any other region. Density of eastern development region 130.3 persons/sq. Kms. in 1981. Density of terai (eastern) is 3 times higher than density in the hills and mountains because the eastern terai is the most fertile area in Nepal. It increased by 45% in the inter censal period (from 352 persons/sq. mile to 511 persons per sq. mile in 1971) As compared to the terai of the east and centre, the far western terai is densely covered with forests and the area has not received a comparatively large numver of migrants from the hills and mountains which are also sparsely populated.

But in terms of growth rate, far western development region has the highest rate of 3.25 followed by Eastern

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development regions, western development region and central development region.

Majority of the population is still illiterate in the country. The literacy rate was 23.3 percent in 1981. Number of students enrolled in primary education in 1983 were 16,26,437 in 1984, 17,47,857 in 1985, 18,12,098 in 1986 18,57,658 means increase in percent of students for primary are 6.95 in 1984, 3.5 in 1985 and 2.45 in 1986 shows that the enrolment of student for the primary education is in diminishing order. In case of secondary education student enrolled in 1983 were 1,98,446 in 1984 were 2,16,473 in 1985 were 2,42,467 and in 1986 were 2,68,805. The percentage were 0.33 in 1984, 10.72 in 1985 and 0.8 in 1986 indicate that the enrolment for the secondary almost remains constant as compared to primary. (13).

65.1 percent of the total working age group population was economically active in 1981 and more than 90% of them were engaged in agriculture and allied activities. Where as in 1961 the percentage of economically active person, to total population was 45.8% This percentage has decreased in 1971 and reached to 41.0%. Again in 1981 it has increased and reached to 65%. It clearly indicates that the rate of growth of economically active population is due to increase in population and either constant or no development in the field of increasing

employment during the period of 1961-71. Where as the data available for 1981 indicates that in this respect country has developed a lot of opportunities for employment. In 1981 the total population which comes in age group of economically active was 10,517,888 persons where as total no of persons, who were economically active were 6,850,886 data concerning to all the development region indicates that in 1981, the most economically active population was in mid-west-development region where its percentage was 71.9 followed by far western development region, western development region, eastern development region and central development region. (13).

TRANSPORT

Transportation is vital link in the progress of economic development of a country. Prior to 1956, the transport facilities available in Nepal were 260 Kms. of all weather roads, 365 Kms of fair weather roads, 80 Kms. of narrow gauge railway, 24 Kms of ropeway and a half dozen air strips. There were in addition, several traditional mule and foot strails which were not usable throughout the year. (14)

However, in 1978 total length of roads in Nepal was 4595 Kms and number of total motor vehicles was 7579.

Nepal's north-south river system and high transverse ridges have made east-west communication very difficult especially in the mid-montone region. A traveller wishing to

reach a destination in eastern or western Nepal usually follows a round about route descending to India, crossing the Indian plains to an appropriate point for re-entry into Nepal, and the administration and economic development of the country. Hence, the great emphasis was given on east - west highway regardless of prohibitive costs of construction and maintenance. After the construction of east-west highway (Mahandra Rajmarg) which is being aided and financed by India and other aid giving countries, the situation may be eased slightly. But even the development north-south roads will be vital to Nepal's economy, because these are the traditional routes for the exchange of material goods and ideas of the terai and the hill region. The two highways, Tribhuvan Rajpath and Arnik Rajpath, Linking Kathmandu with India and China respectively, have acquired both political and economic importance. The chinese built Prithiv Rajmarg (linking Kathmandu and Pokhra) and Indian built Siddarth Rajpath (linking Sunanli and Pokhra) have led to the opening up of remote hill areas in Central Nepal.

Because of the mountainous terrain air travel and air transport often prove to be the most convenient and the most economical. Yet of the 15 centres (1980) Kathmandu is connected by regular air travel, only 3 are in the hills. However, short take off and landing (STOL) strips have facilitated the movement of goods and persons in and out of

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hinter lands. At present there are 24 STOL air field in Nepal, mostly used by planes operating on a charter basis. (15).

ECONOMY

It is pointed out that for many years to come, agriculture will remain the major determinant of the gross national product (GNP) and a main sector of employment for increasing labour forces in Nepal. Agriculture including forestry accounts for more than 66% of the GNP and 86% of Nepal's export earning and provided employment for more than 94% of the labour forces. (16).

The geographical features highlight the basic problems of the agricultural economy. Most of the surface area consists of forests, snowclad and alpine terrain and rivers. Only 1098 million hectares (14.06% of the total surface area) are actually under cultivation. With the result, the per capita availability of agricultural land is approximately 0.2 hectares. This is aggravated by the uneven distribution of agricultural land. (17)

Paddy is the major crop in Nepal and is mostly confined to the terai, which is outstanding agricultural area. Out of 11,82,000 hectares of land under paddy 10,03,000 hectares are in the terai. Only a small amount of paddy is cultivated in the hills. During 1970-71 (Statistics available) Nepal produced

23,05,000 mt. tonnes of paddy. In area of cultivation and quantity of production, maize comes second, followed by wheat, other crops of the terai are sugarcane, a small quantity of jute, oilseeds, tobacco and potatoes. The inner terai has deep rich soils and dense population. Consequently intensive cultivation is found here. In the northern hills maize and millets constitute the major crops barley and potatoes are also cultivated. Farming is the mainstay in the mountains. This is relatively backward and was oriented towards Tibet economically until recently. (18).

Most of the peasants do subsistence farming and modern techniques and chemical fertilizers are seldom used. In spite of the top priority and importance given to agriculture in the Govt. plans and programmes there have only been marginal improvements in the situation and agricultural productivity is mainly in the hands of the weather. In the field of irrigation the progress is reported not only far behind the target but even disappointing. (19).

The small size of holdings exorbitant rents collected by absentee landlords, traditional techniques of farming, inadequate irrigation facilities, primitive financial organisations with little credit facilities and lack of marketing and warehouses facilities are also reported as

causes for the low agricultural productivity. (20).

Most peasant live on the marginal between subsistence and destination, it is said, yet, Nepal could export substantial amount of food grains to India. Thanks to the rich soil of the terai. (21).

Apart from agriculture, other sections of the economy too are under developed. Trade and services (the tertiary sector) comes second in the contribution towards the GNP (21.86%) and provisions of employment (4.42%) according to the 1971 census. Personal and community services (including Govt.) alone account for nearly 3% of the labour force and trade and commerce for 1.31% manufacturing (small scale) is another important activity which provides employment to 1.07% and accounts for 9.02% of the GNP. Construction activity is very small gives employment only to 0.10% contributing 2.35% of the GNP. (22).

The manufacturing sector is predominated by small scale and cottage industries. The traditional cottage industries include cotton and woolen textiles, oil pressing, pottery, hand made paper, bamboo, cane and other fiber works, leather-work, metal work and wood work most of which are produced for local consumption. Many of these industries are on the decline mainly because of substitute imported materials

of industrial origins arriving from other countries, especially India. Cheap mill cloth, aluminium utensils, and paper are affecting the growth of cottage industries. (23).

Some of these industries are also troubled by raw materials shortage. For instance, if the local looms have to work cotton must arrive from other countries. In the ultimate analysis buying finished cloths from other countries would work out cheaper than buying locally manufactured cloths, for the consumers, especially those in the urban areas. The only cottage industry that seems to flourish is carpet webbing which is mainly in the hands of Tibetan immigrants. There are several programmes initiated by the Govt. to promote the growth of these small scale cottage industries.

The modern industrial sector is tiny. According to the 1972-73 census of manufacturing establishment there were approximately 2,400 manufacturing establishments, employing 50,000 workers. The average employment per establishment was about 20 workers. However, the majority of the firms were considerably small than this, 80% of them employed less than 10 workers. Only 65 of this establishments employed 100 or more workers. Most of them were highly labour intensive and the productivity was very low with the overall value added per worker at US \$ 560. The modern sector consists mainly of

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export oriented industries and it is estimated that 48% of the industrial production is being exported, mainly to India.

The term modern industrial sector only denotes what in Nepal is an extension of agriculture. Rice and oil mills accounts for 76% of the total number of establishments and 50% of the value added and provided employment for 10,000 workers. This accounts for 95% of the industrial exports, the remaining being contributed by jute products. Jute mills provide employment to 5,000 workers, other modern industrial activities consist of cigarette and shoe factories, saw milling, brick and tiles manufacturing, the match industry mechanical workshop and a brewery. A cement plant was also established recently.

Most of the larger industrial units are located in the Kathmandu valley or terai, particularly between Birgunj and Biratnagar near Indian Boarder. Small units such as rice and oil mills are scattered through out the country.

Very little change is taking place in Nepal's industrial structure. The development of industries is affected by limited raw material resources, limited entrepreneurship capital deficiency, power and man power shortage, uncertain supply of inputs and above all smallness of local

market and very low demand. However, there is scope for some agro and forest based industries to expand.

Tourism has been developing as an important sector of employment and foreign exchange earner recently.

However, the pace of economic development in Nepal is very slow. There are indications that there has been a retrogression in crucial sectors of the economy, while the GNP increases at a rate of 2.2% the population is also growing with a rate as much as this and hence the per capita income has been stagnating. From 1970-71 to 1972-73 the per capita income actually declined. It had picked up again and was a little more than US \$ 100 (a little more than 1000 NEPALESE RUPEES) in the financial year 1975(25). The fourth plan (1970-75) 24 estimated a growth rate of 4% but average actual growth rate was less than 2.65%. (25).

There are exogenous and endogeneous factors ascribed to this low growth rate. The major two reasons are the stagnation in agricultural production due to natural and other factors and delay in executing the projects as-a result of stalemate in the trade relation with India. The country depends largely on other nations and external trade for the supply of

development materials. Because of its land locked situation most of the country's trade is with India or through India. It may be noted that in the financial year (1975) Nepal's recorded trade with India accounted for approximately 75% of its exports and 66% of its imports. The trading relationships between the two countries is governed by a trade and transit treaty. The treaty was expired in 1976 and negotiation were again started and this was already reported to have created some uncertainty in the investment climate in Nepal. Two separate treaties - one for trade and other for transit has been signed recently as an out come of Indian PM's visit to Nepal in December 1977. However, the love hate relationship between India and Nepal has substantially affected development projects and the Nepalese are visible sore at this. The fifth five year plan stakes that obviously countries like Nepal, which is land locked and dependent an external trade, cannot remain insulated from outside influences. (26)

These planners attribute a large strand of responsibility for the slow growth of the economy to these trade problems. Nepal's economy is also characterised by a high incidence of fragmentation. This fragmentation occurs at different levels and ways such as non-integration of different economic sectors of the economy, non-integration of the urban and rural and further over fragmentation due to geographic factors.(27)

Topography and lack of communication links made markets small and transport costs high so that division of labour and economic of scale cannot affect productivity significantly. Most of the market areas function more or less in isolation and thus the economy is not spatically well integrated. The chief reason for this is the lack of communication networks, including roads. Only the Terai has motorable highway. The rest of the country can be reached only by walking (28) through difficult trekking paths. Transport is mostly by road or animals. A few STOL airports have been developed recently through out the country but this caters mainly to tourists and the administration.

The low per capita income and fragmented economy has tended to create two situations namely an apparent lack of development opportunities (in the capitalist sense) and very low level of resources base. Savings are small and financial development weak and above all the tax base is no meagre that the country depends largely on foreign aid for its development programmes. The fourth plan was financed by external assistance to the tune of 58% of which 50% came as aid. Nepalese now feel that extreme dependence on external aid is not very healthy and are trying to finance as much as about 60% of the 5th five year plan by themselves. The external agencies are however,

septical about this and feel that the Nepalese have set an unattainable target. (29).

FINANCIAL RESOURCES

It was not very long ago that the Govt. of Nepal depending upon external assistance to meet even the current expenditure necessary to maintain law and order. As late as in 1961-62 Nepal incurred a deficit in the regular budget and this meant that almost all the development expenditures had to be financed through foreign assistance. At present about half of the development budget is financed from revenue surplus and internal borrowing. About 50% of Nepal's development budget is still financed by external assistance may not be a thing to take pride in. But a change from a situation of almost 100% dependence to 50% dependence in the course of only 10 years is a high sight remarkable. The record will appear even more impressive if we take into account the fact that the size of development budget has increased in absolute terms from about Rs.100.00 million (including expenditure directly incurred by foreign Govt. in their projects) to Rs.570 million during the same period.

The growing rate of inflation is partly responsible for the steady use in the total figure of the development budget and increase in sale tax over 1972-73 was Rs.4.00 million.

but in 1974-75 it is estimated to increase by Rs.268 million. Again, the budgeted amount for development has never been fully spent over a period of years. For example, the estimated development expenditure in 1972-73 and 1973-74 was Rs.857.7 million and Rs.1041.7 million respectively, but the actual spent amount was Rs.608.5 million and Rs.811.4 million. All these clearly show governments administrative inability and capacity to utilise fully even the amount allotted in the budget for expenditure on development.

It should be noted that Govt. revenue in Nepal constitute only 4% of the GDR which compares poorly with the performance of many developing countries. There has been a steady upward trend in the growth of revenue which is encouraging although a significant portion of the increase has been eaten up by inflation.

The tax revenue has been increasing at a rate much higher than non-tax revenue. Further, this is not surprising as there was a sudden jump from an almost non-tax system to a tax system after 1959. Nepal still depends very much upon direct taxes for revenues, Custom's and Excise long constitute more than 50% of tax revenue. The place of direct taxes is still insignificant. (30).

The large agricultural sector of Nepal is taxed nominally. In other words, the burden of taxation

taxation is very light on this sector compared to the non-agricultural sector. The agricultural sector constitutes about 1% of the value of agricultural products to the HMG as direct revenues where as the non-agricultural sector which produces only 1/3rd of the total GDP constitutes 4.74% H.M.G receives 14% of the value of non-agricultural products in the form of tax. (31).

Moreover, the land tax, still levied at what amount to a flat rate on the site of holdings rather than on production is neither scientific, nor judicious.

Nepal has yet to make efforts to relate its tax structure to the need of economic growth with distributive justice especially to meet the alarming gap between rich and poor.

Increase in tax revenue of the Govt. does not seem to have adversely affected the propensity to save in the private sector. For example, during the last 5 years the fixed and savings deposits with the commercial banks of Nepal have increased by more than 5 times, reaching Rs.330 millions at the end of 1971. Compared with other countries this figure appears of course, too low. However, the comparable figure for Nepal only 10 years ago was less than Rs.20 millions. (32)

BANKING

In an under-developed economy, banking system cannot be sophisticated operation. Nepal's Central Bank Nepal Rastra Bank began operation in 1965 and upto the beginning of 1966, the Nepal Bank limited was the only Commercial Bank. Only during the last 15 years, with the economic activities gaining momentum, Nepal set up a series of financial institutions such as Nepal Industrial Development Corporation, Agricultural Development Bank. Industrial securities marketing centre, National Insurance Corporation, National Insurance and Transport company and the Credit Guarantee Corporation. As of July 1978 there were 238 Commercial Bank branches and post-offices have now opened savings banks. Banking activities have reported slackened due to the industrial sector lagging behind. A shortfall in revenue has also compelled government bodies to use bank financing to cover deficit. (33).

TOURISM

It is the most dynamic and rapidly growing industry of Nepal and it has a rich potential for tourist trade. Several areas in the interior of Nepal have real prospects for tourism and may be opened to the tourists gradually. Nepal's natural scenery of snow-cloud mountains, higher altitude natural lakes, wooden hills and paddy green valleys will serve as a paramount

attraction for the tourist. (34).

Nepal's merchandise trade deficit have been traditionally more than offset by foreign exchange earnings from tourism and private remittance and from foreign aid. Tourism as an industry increasing steadily by over 20% annually during the 5th five year plan period. Foreign exchange earnings from tourism were the equivalent of 35% of merchandise exports in 1978-79. The number of hotels and hotel rooms has been growing to accommodate the increased number of tourists, while maintaining a 50% capacity utilisation rate. The tourist industry however accounts for only 2% of the GDP and primary benefit the Kathmandu valley the site of most tourist facilities. (35).

POCKET ECONOMY

According to the agricultural credit survey report 32 out of 75 districts of the kingdom Nepal is identified as accessible of these 2/3rd or 20 districts are located in terai and 1/3rd or 12 districts in Hills. Thus as many as 43 districts in the hills suffer from its accessibility and consequently with low level of development. Of these 38 districts are accessible by air and by less than 2 days walk, 5 districts do not fall under this criteria. Under such situation, the districts consists of segmented and largely isolated markets and communities. It creates absence of economic interdependence or economic integration and subsistence market being neither

produced for non-receiving from others. It thus takes the shape of pocket economics' - locked organic linkage of the national economy of Nepal.

The pocket economics of Nepal also crops up certain problems. As a result of the pocket economics certain parts of the country, specially eastern and western hilly districts, have to remain fully dependent upon their own production. There is no trading and the people have a few alternatives and possibilities to choose about productivity. It deprives the country of potential development of natural and other resources of different regions on the other. As in the absence of national market' of domestic market oriented industries will not be a remunerative proposition. Only small scale consumer industries within a geographical region may have potentialities of development. During the year 1972-73 the country suffered draught in several of the hill districts, but in the absence of national market, surplus Terai grain was exported to India and Bangladesh and imported grain had to be distributed to feed the hilly people. Lack of economic interdependence between hills and Terai has thus created pocket of poverty through out the kingdom. (36).

INFRASTRUCTURAL AND RURAL DEVELOPMENT OF NEPAL

RURAL DEVELOPMENT IN NEPAL PRACTICES, PERFORMANCE AND STRATEGY :

About 94% of the people of the Nepal live in rural areas about the same proportion of the country's population

continues to earn its livelihood from agriculture and very few other rural-based vocations the same way as probably was the case at the time. When economic development was not considered an objective of the state furthermore, poverty which is as extensive as it is conspicuous in Nepal is invariably associated with the system of production and consumption in the rural households and community in a country where the problem of which distinction and squalor is relatively absent. The government estimates that 41% of the rural households are living below the poverty line. That this might be an under estimate is indicated not only by the assumed national minimum subsistence level income of Rs.2.00 per day per person, but also by the Govt's own findings that under employment rate per household or per worker in rural Nepal is 63% under such conditions how is then one to understand the difference between rural development strategy. This is problematic of course, yet, in Nepal, the Govt. and the large number of donors alike discuss, devise and try to implement rural development, integrated one at that, as a separate and distinct component of national development design and its goals. This paper seeks to examine the relevance efficacy and implications of this approach for Nepal's present socio-economic reality.

DEVELOPMENT RECORD

In the period of these decades since 1957, during which Nepal has been engaged in the task of social and economic

development, the climate for this endeavour has been uniquely propitious. One can probably argue that this has been more so atleast on the face of it, since 1961, with the introduction of the partyless Panchayat system. Even the late B.P.Koirala, the Prime Minister, under the policy which the Panchayat system replaced he said that, for a while, he gave the benefit of doubt to the late king Mahendra that the King might have sincerely felt that concentration of attention on development, which is what he might have wanted, could not afford the partisan enablers and protracted debates on various issues that are often a part of the process of articulating and aggregating diverse interests under a more competitive political system. It now appears that major aid donors to Nepal felt the same way with the exception of the Govt. of India under Jawaharlal Nehru who made no secret of his disapproval of the wings action and motive. The United States assistance for village development was continued under a new and supportive level of Panchayat development among these things. The Soviet Union which had negotiated and finalised major aid agreements with the Koirala Government and the care taker Govt. which preceded it, continued its assistance programme handing the Panchayat Govt. the credit for important accomplishments in the industrial and other sectors. China was only too happy to continue and expand her economic cooperation with Nepal after 1961, other donors did the same. Even India could not afford to sit and sulk from the sidelines when other countries were

increasing their interest and activities in Nepal. There is infact no evidence that the apprehension which Prime Minister Nehru had on the advisability of King Mahendra's policies and political programmes affected Indian aid to Nepal in any way. At the moment, the foreign aid front appears so comfortable and pleasant for the government that according to official reports the Nepal aid group members, at their recent meeting in paris, pledged contribution of an amount that in the aggregate was much higher than what a world bank has recommended on the basis of its need assessment.

Internally, the coun ry has engaged peace and stability with only minor and stray incidents of disorder ocassionally. The panchayat system despite the reservations and disenchantment of a large section of the population has held to its own. The organised opposition, the little that has been there, has not showed requisite strength or willingness except perhaps during the events in 1978 that let to the national referendum which might threaten to put the sincere effort# of the Govt. for development in jeopardy. The institutbn of Monarch enjoys the support of not only the Panchayat elite, the army, the bureaucracy and the common. People but also the intellegentia to a large extent. The political order which claims active leadership', of the crown should thus be in a position to such policies and programmes for reforms that could be politically uppalatable or subject to misrepresentatic

or opposition by partisan interests under different circumstances of thus had not happened, the gap is simply written off', as an issue of political will.

Finally, the country has enjoyed uninterrupted external peace, the Nepali might fight wars in other people's land, but they keep peace in their own putting these altogether are reached on unmistakable conclusion that Nepal stands out almost as an oasis in the troubled south Asian sub-continent. The image of an oasis loses its green cry however, when are considered the accomplishments in the field of economic development.

Nepal's rate of growth in its gross domestic product has through out been one of the lowest in the developing world in all the six development plans that have been implemented five of them under the panchayat system average rate of growth in GDP has barely exceeded 2% per annum. With the population currently growing at about 2.6% per year per capital product itself has begun to decline at a time. When the world bank figures already shown that between 1960 to 1980, Nepal was the only country in south Asia which did not register any increase in real per capital GDP. In the process, the country's ranking in the developing world in terms of per capita GDP, is slipping to the rock bottom. In an agricultural country, the performance of

the agricultural sector has been most disappointing. The rate of growth in output from this sector has been less than 1% per capital good production has declined and the productivity of all major food crops has been sliding downward with the exception of wheat which shows some progress only because it is relatively new crop in Nepal. The manufacturing sector has not done much better than agriculture and as a result there has been very little change in the structure of production and employment. Meanwhile, all indications are that income distribution is getting further skewed, environmental degradation is getting acute, a firewood is looming large in the horizon, and productivity of land as well as livestock is being further threatened due to lack of nutrients. The food manure fodder linkage are being continuously undermined through deforestation and the subsistence is attained not enough the yield but through the depletion of capital stocks of the forest; To top it all, population may double within the next 26 years (unless unprecedented achievement are made in fertility reduction) with still no sign of a base having been established for the diversification of the economy to allow off farm employment and production while the agriculture sector as indicated, is already over crowded with adverse implications for further degradation of the land and environment.

The water resources of Nepal, which many people, policy makers, experts and common people alike appear to hold as the

key to Nepal's progress might be of little immediate help because even if international agreements for the utilization of these resources were to be reached now, an unlikely event under the circumstances, the design and construction of major projects can take upto twenty years for completion. Nepali people do not have that much time because as the 6th plan blue print says it is now appreacent that if the nation fails to make concrete improvements in the existing economic conditions during the course of the next five to ten years, its economic and social consequences will be quite serious'. About four years have already passed since then, and if anything the overall conditions has deteriorated further.

RURAL DEVELOPMENT PRACTICES

Where does the strategy of rural development fit under the circumstances. The first question that comes to one's mind is : if emphasis on rural development is as recent a phenomenon on its is sometimes made out to be what was it that the government and the people were working at for the last three decades or so. The persistant characteristics of the Nepali Ecconomy and the socociety as well as the very little accomplishment made in the development of non-rural based production and employment would inevitably indicate that what ever might be the defects in the Nepali planning process, lack of recognition of the need for development in the rural area is not

one of them. The recent plans have paid elegant tribute to the concept of integrated rural development, because it is fashionable to do so, but it is difficult to argue that it constitutes a very novel rendering of Nepal's development issues and policies. The idea is at least old as the planning process in Nepal. Here is what the country's first five year plan (1955-56) has to say, countries with the most progressive rural extension services have tended in recent years to be oriented not to agriculture alone, but to the agriculturist as a many sided human being, and to be concerned, therefore with the inter connected problems of farm families and communities. Extension services built upon such an approach are found to be more lasting in their effects than efforts to deal separately with individual aspects of the farmer's life. It is this multi-purpose approach which is planned for the rural communities of Nepal'. This formulation lacks the jargon of a modern systems analyst but the message is clear. In terms of concrete programmes, such an approach to rural development did not get off the ground, through the initial, but unfortunately not accumulative impact of village development efforts of the late 1950's must be acknowledged. Meanwhile new rural development paradigms have been discussed, conceptualised and implemented. However, the renewed emphasis and the injection of an unprecedented volume of financial and technical resources still does not seem to be making a dent on rural poverty.

It is close to ten years already when the first attempt was made to launch integrated rural development with its present emphasis and form. The lack of progress, therefore is not apparently due to lack of efforts, the integrated. Development approach dominating the scene. The donors are lying with one another to assist in this sector, HMG is keen to cover the entire country with IRL. The present trend indicates that it will be achieved by the end of this decade. Table - I lists the integrated rural development projects that are on the grounds at the moment with total planned expenditures that appear astronomical considered against the very simple needs of rural house hold in Nepal. Some of these projects are about to graduate into second and third phase as in the case of Rasuna/Nuwakot and Kosi projects, respectively with larger doses of investment. In addition, there are many other projects of this type which are not, however, included generally in the list of integrated rural development projects only because the nomenclature is different. That such major projects like resource conservation and utilization project financed by the USA and Tinan watershed project financed jointly by the Federal Republic of Germany and Switzerland which have the same objectives as the integrated rural development projects are treated differently is perhaps an indication of the extent to which integrated rural development is understood and accepted as a national strategy. In addition, there are other programmes under various other umbrellas and nomenclature that are expected to

address the same issues and problems and embrace the same programme contents on rural development. Some of these are the small farmers development programme, Remote Area development programme, Local Development Grants programme etc. At a somewhat narrow level several traditional and vertical programmes also centenered and are expanding. Some of them using the magic word 'integrated', There are projects like integrated cereals project, integrated potato project, Integrated Community Health Project and so on and so forth. And there are more to come if the projects currently being designed or discussed with various donors are any indication.

Even while this process is going on almost all the mid terms evaluations conducted in respect of several integrated rural development projects have concluded that the progress is far from be encouraging, some going to the extent of indicating that the projects concerned have not even succeeded in maintaining the productive base of the rural economy.

TABLE : I
INTEGRATED RURAL DEVELOPMENT PROJECTS IN NEPAL

Project (1)	Districts (2)	Estimated Exp. (Rs. million) (3)	Source of fund (4)
Rasuwa/Nuwakot	Rasuwa, Nuwakot	136.00	IDA
Mahakali	Darchula, Baitatli Dadeldhuma.	169.00	IDS

(1)	(2)	(3)	(4)
Sagarmatha	Sirha, Saptari, Uddyapur	446.00	ADB
Rapti	Dang, Salyan, Piuthan Roepa, Rukum	404.00	USA
Koshi	Dhankuta, Tehrathum Bhojpur, Sankhuwasabha	90.6	UK
Karnali/Bheri	Surkhet, Dailekh, Jumala	405.00	Canada
IHDP	Suidhupalchok, Dolabha	399.00	Switzerland

Rural development projects have been a means for channelising larger doses of foreign aid funds for programmes that are essentially conventional and ineffective. Apart from the administrative paraphernalia that are often created to table the self created problems of coordination within the Government bureaucracy and in transactions that are required with the donors, the integrated rural development projects, in most cases, do not differ with the traditional sectoral or vertical programmes either in programme context or even in the process of planning and implementation. In the meantime, the temptation to speed up disbursements of funds has led to large expenditures on such items of questionable value as large number of integrated rural development projects which, however, have not been able to replace the traditional approach

of the line ministries, vertical programmes either in content or in the management process has meant that the Govt's capacity to coordinate is over taxed. It is no wonder that overall impact of rural development efforts is familiar as stated in one place as follows. Productivity gains have been small, and limited to the larger land holders. Delivery systems for agricultural inputs have been monopolized by the rich. Training has been imparted in many fields, but the scope for application and utilization of the skills has been very limited the bureaucracy has been politicized to such an extent that planning and economic and financial discipline required for effective economic management are practically impossible. The situation is further worsened by the Centre's lack of responsiveness to districts level problems and its own encouragement to seek politically appealing solutions. All in all the inflow of huge amounts of funds has killed the spirit of self reliance even in area where people had traditionally depended on their own efforts and skills.

In Nepal, the donors of aid as well as the Govt. probably feel that the fruits of their partnership do not justify the labour and the resources that have gone into development since 1951. Rural development was thus conveniently introduced as a corrective device at a time when it was becoming fashionable to do so. However, it was not realised that Nepal's problems of poverty were unlike those of many other countries in Asia and Africa where the rural

development strategy was introduced as a measure to obtain more equal distribution of the benefits of development had not trickled down, the status of people at threshold of absolute poverty did not change and that basic human needs were far from being satisfied for a large segment of the population despite a reasonable rate of growth in gross domestic product. In Nepal, however, if there has been growing inequality with the poor getting poorer, it is not because the emphasis was on growth rather than equity or distribution. There is a small section of the population that has no doubt benefitted from whatever development that might have occurred. But Nepal's painful experience is that there has been very little growth in production and income in the aggregate.

A usual argument that is generally put forward for explaining why the poor get poorer in developing countries is what is often presented as a misguided emphasis on industries as against agriculture. Even this has not been a case in Nepal as, indeed demonstrated by the very poor stage of industrialization in the country. In fact, the allocation of investment for the industrial sector, which includes the electricity, sub-sector, however during various plans has always been far below the amount set aside for agriculture as shown in table-II. Interestingly, however, during the 5th and the 6th plans when the Govt. is presumed to be providing greater emphasis on basic human needs and rural development, the allocation for the

industrial sector has increased markedly. In the earlier plans, it was the infrastructure, chiefly transportation, that all up a major portion of public sector investment. But such expenditure cannot logically be interpreted as something contributing to urban or industrial bias, by itself, when one considers the fact that the roads primarily served to open up the rural areas increasing at least theoretically, their access to inputs, technology and markets for their products. Further, more, if one lumps together the investments that have gone into the agriculture and social services sectors as are must from the stand point of resources for basic needs the ratio compares quite favourable even with transport and communication.

TABLE : II

SHARE OF DIFFERENT SECTORS IN DEVELOPMENT EXPENDITURE
DURING FIVE YEAR PLAN PERIODS (in Rs. Million)

Sector	Third plan		Fourth plan		Fifth plan		Sixth	
	Amount (1965-70)	%age	Amt. (1970-75)	%age	Amt. (1975-80)	%age	Amt. (1980-85)	%age
Agriculture	276.5	17.56	720.3	21.72	2245.8	25.43	6600.00	30.34
Transporta tion & Comm unication	492.7	31.29	1384.3	41.15	2443.8	27.68	4230.0	19.45
Industry, Mining, Commerce & Elect.	158.0	10.03	482.0	14.54	1655.6	18.75	5600.0	25.75
Social services	270.9	17.20	54.8	17.25	2051.3	23.22	4816.0	22.14
Others	376.6	23.92	177.2	5.34	436.1	4.93	504.0	2.32
Total Dev. expenditure	1574.7	100.0	3315.6	100.0	8832.6	100.0	21750.0	100.0

Contd : Table : II

<u>Sector</u>	<u>Preliminary Actuals (1980-81)</u>	
	<u>Amount</u>	<u>%age</u>
1. Agriculture	713.3	25.99
2. Transportaion and communication	608.0	22.03
3. Industry, Mining Commerce & Electricity	711.2	25.77
4. Social services	630.2	22.83
5. Other vehicles	93.3	3.38
<hr/>		
Total development expenditure	2760.0	100.00
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In table - 2

- (a) Agriculture includes irrigation, land reform, cadastral survey, forests.
 - (b) Social services include education, health, drinking water, panchayats.
 - (c) Based on the world bank country study, Nepal- Development Performance and prospectus, Dec. 1979
 - (d) Sources : Nepal : Economic survey for Fy. 1980-81 Ministry of finance 1981.
 - (e) At 1979/80 constant prices sixth plan.
 - (f) Source : Ministry of Finance : Budget speech 1981/82.
- Table's source : Extracted from Asian Development Bank. Nepal Agricultural sector Vol 11 1982 (37)

THE OBJECTIVE OF THE THESIS

The objective of this thesis is to study the problem of rural development in Nepal. Though, efforts were always made by many developed and developing countries, time and again but there had been some what stagnation in its rural development. What were the constraints in its development during the period of 1951 to 1981. Nepal is an agricultural country but in these thirty years the agriculture output also remained constant. My study is to find out, what is the nature of land revenue system, rural employment, subsidiary occupation and rural poverty? What roll played by financial institutions foreign as well as Government? Government policies in the Nepal's rural development?

Review of literature

The some works have been done by Dr, Govind Ram Agarwal and Dilldaya Bahadur Amatya, but their main problem is regarding rural industrialisation. This is not really upto date. Further Gautam Shanta has done some work on women labour force in Nepal. Dr. Govind Ram Agarwal has done some work on ecology of development. However, all these works fall for short off. to study the rural problem in its extensivity. Hence, the work done in this discretation may fill the gap in the existing literature of Nepal, which are either overlooked or never though about by the planner and other authorities

of Nepal.

Source of Data

We have collected data mainly from the published material we study is based upon secondary data. However, processing of data is done according to non statistical practices. Later regression for the analysis.

Limitation of study

As the study is based upon secondary data, the literature available is quite unadequate, reason, unplanned fashion, lack of experience and lack of record, Due to high degree of illiterach the other factors the public is very self centered.

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