

CHAPTER : I I

NEPAL'S GDP AND REGIONAL DISPARITY

Economic development is a process whereby an economy's real national income increases over a long period of time. Though there are differences of opinion with this definition, but today the rate of growth of GDP is the most widely accepted indicator to measure an economy's level of economic progress. So understand the growth performance of Nepali economy, the growth rate of GDP and its structure and consumption in Nepal is to be studied.

GDP AT CURRENT PRICES

According to national planning commission's estimate Nepal's GDP in 1964-65 at current prices was valued at Rs.6274 million and by 1969-79, it had reached at total of Rs.9820 million. Thus, during the five year period GDP had increased by 9.8% per annum at current prices. In the next five year period, the GDP growth rate remained 11.6% per annum. During 1975 and 1985 the rate of growth decreased at 7.2% per annum. Table below shows the trend of GDP growth rate at current prices over the last fifteen years.

TABLE : 2.1 GROWTH OF NEPAL'S GDP (1964-1980) AT CURRENT PRICES

YEAR	GDP (IN MILLION RS.)	GROWTH RATE	AVERAGE FOR FIVE YEARS.
1964-65	6274	-	
1965-66	7738	27.3	
1966-67	7180	7.3	
1967-68	8034	11.9	9.8
1968-69	8943	11.3	
1969-70	9820	9.8	
1970-71	10010	1.9	
1971-72	11613	16.0	
1972-73	11165	3.9	11.6
1973-74	14345	28.5	
1974-75	16571	15.5	
1975-76	17394	5.0	
1976-66	17280	0.7	
1977-78	19732	14.2	7.2
1978-79	22215	12.6	
1979-80	23351	5.1	
Average			9.5

Source : CBS, Kathmandu.

GDP AT CONSTANT PRICES (REAL GROWTH RATE)

The real growth rate is much more precise measure of a country's economic performance. If prices are rising, the level of GDP may be apparently high giving an impression of better performance. But this is quite misleading since price rise will exhibit higher values. Hence to have a current picture of a country's economic performance, the nominal values (value measured at current prices) should be deflated by the inflation rate. And in this way, the real growth rate in GDP appears to be very weak and disappointing. Nepal's case is no exception to the above fact. As depicted in following table. It is shown that during the five year period from 1964-65 to 1969 - 70 the GDP increased at an average annual rate of about 2.3% of real terms. During the next five years it decreased to as low as 1.9% per annum. During 1975 and 1980, the growth rate remained constant as before at 1.9% per annum.(1)

The country completed its sixth plan in 1985. During this plan period GDP in real terms is estimated to have increased at average of 4.1% per annum as against its target of 4.3%. (2)

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TABLE : 2.2 GROWTH OF NEPAL'S GDP (1964-80) AT 1974-75 PRICES

YEAR	GDP (IN MILLION RS.)	GROWTH RATE	AVERAGE ANNUAL FOR FIVE YEARS
1964-65	13323	-	
1965-66	14268	7.1	2.3
1966-67	14036	1.6	
1967-68	14135	0.7	
1968-69	14765	4.5	
1969-70	15146	2.5	
1970-71	14964	1.2	
1971-72	15428	3.1	
1972-73	15361	0.4	1.9
1973-74	16339	6.4	
1974-75	16571	1.4	
1975-76	17300	4.4	
1976-77	17822	3.0	
1977-78	18211	2.2	1.9
1978-79	19708	8.2	
1979-80	18110	8.1	
Average			2.0

Source - CBS, Kathmandu

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On the average annual growth rate during the last fifteen years comes to about 2.0% per annum. This growth rate of Nepal's economy is quite low compared to other developing and low income countries of Asia.

TABLE : 2.3 AVERAGE ANNUAL GROWTH RATE OF NEPAL AND
OTHER LOW INCOME COUNTRIES

YEAR	Nepal	Afganistan	Bangla- Desh	Burma	India	Pakis -tan	Sri Lanka	Low Income Countries
1960-70	2.3	2.0	3.6	2.6	3.6	6.7	4.6	3.9
1970-78	2.0	4.6	2.9	4.0	3.7	4.4	3.4	3.6

World development report 1980 NPC Nepal.

The data given in table above shows that Nepal's growth rate in the 1960's was some what higher than that of Afganistan and more or less same as by Burma in the south Asian region. In 1970's the growth rate of both Afganistan and Burma shot up tremendously more than double in Afganistan and nearly double in Burma, while Nepal remained stagnant reflecting the lowest growth rate in the region. India's growth rate remain stagnant like Nepal, whereas the growth rate of Pakistan and Sri Lanka have been deteriorating. The relatively high growth rates achieved in 1965-66 and 1973-74

in Nepal (7.1 and 6.4 respectively) was mainly due to a significant increase in agricultural production, contributed solely by favourable weather conditions. The year 1978-79 also reveals the high growth rate (8.2) for the same reason. (3)

PER CAPITA GDP ITS GROWTH RATE

Despite the inflationary pressure, an economy also suffers from population growth. To understand the country's economic progress, GDP should be estimated with the changes in population change. In this way, the per capita GDP in real terms has got vital importance. Nepal per capita GDP in real term and thus the growth rate is depicted in table below. It is observed from the table that the per capita GDP in real terms of Nepal remained stagnant during the period between 1965 and 1980. With the population growth rate at 2.1% over the years hardly any change could be witnessed in the per capita real GDP (Average 0.2 i.e. about no change over 15 years).

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TABLE 2.4 PER CAPITA GDP OF NEPAL AND ITS GROWTH RATE

YEAR	POPULATION			PER CAPITA GDP AT CURRENT PRICES			PER CAPITA GDP AT CONSTANT PRICES		
	Million	%age	Average annual of five years	Amount (Rs.)	%	Average annual of five years	Amount	%	Average annual of five years
1964-65	10.01	-		626.8	-		1331.0	-	
1965-66	10.22	2.1		756.2	20.6		1396.1	4.5	
1966-67	10.43	2.1		688.4	-9.0		1345.7	-3.6	
1967-68	10.64	2.0	2.0	755.1	9.7	7.6	1328.5	-1.3	0.5
1968-69	10.86	2.1		823.5	9.1		1359.6	2.3	
1969-70	11.09	2.1		885.3	7.5		1365.7	0.4	
1970-71	11.32	2.1		884.3	-0.1		1320.3	-3.3	
1971-72	11.56	2.1		1004.6	13.6		1334.6	1.1	
1972-73	11.81	2.2	2.1	945.4	-5.9	8.6	1300.7	-2.5	-0.2
1973-74	12.06	2.1		1189.5	22.5		1354.8	4.2	
1974-75	12.32	2.2		1345.0	13.1		1345.0	-0.7	
1976-77	12.59	2.2		1381.6	2.7		1374.1	2.2	
1977-78	12.89	2.1		1343.7	-2.7		1385.8	0.8	
1978-78	13.14	2.2	2.1	1501.7	11.8	5.0	1385.9	0.0	0.2
1978-79	13.42	2.1		1655.4	10.2		1468.6	6.0	
1979-80	13.71	2.2		1703.2	2.9		1320.9	10.1	
Average			2.1			7.1			0.2

Source - Population projection for Nepal 1971-80, CBS Kathmandu

STRUCTURE AND COMPOSITION OF GDP

Composition of GDP at current market prices is presented in table below it indicates the pre-dominant position of agriculture in the national economy of Nepal. This sector alone contributes more than two-third (2/3) of the GDP. The drop in agriculture's share in GDP in 1979-80 has been mainly due to the sharp decline in agricultural production in that year. As a result, the relative share of the non-agricultural sector has to account for the larger proportion of the GDP. The shares of agriculture in the GDP was about 70% during the third and fourth plan period (1964-65, 1974-75) which declines at 67% in the first year of the fifth plan and further reduced/ at 58.6% at the end of the said plan (1979-80) (4)

TABLE : 4 COMPOSITION OF NEPAL'S GDP BY SECTORAL ORIGIN

(AT CURRENT PRICES)

<u>Sector (in %age)</u>	<u>1964-65</u>	<u>1969-70</u>	<u>1974-75</u>	<u>1979-80</u>
1. Agriculture	68.0	70.0	69.7	58.6
2. Non Agriculture	32.0	30.0	30.3	41.4
a. Mining	0.0	1.1	0.0	
b. Manufacturing	1.3	2.0	2.8	
c. Construction	2.0	1.8	1.0	
d. Transport & Communication	1.5	2.0	2.7	
e. Cottage Industry	6.7	7.0	7.0	
f. Financial Inst.	1.1	1.3	1.9	

g. Ownership of develings	10.4	7.4	4.9
h. Public Adminis- tration & defence	1.3	1.8	2.0
i. Electricity	0.1	0.2	0.2
j. Wholesale and retail trade	4.9	3.7	4.4
k. Services	2.7	2.6	3.3

Source - C.B.S Kathmandu

Another important feature that comes to fore from the study of the composition of GDP is the meagre share of mining and large-scale manufacturing though it is growing sector. Above table indicates an increase in the contribution of this sector to GDP from 1.3% in 1964-65 to about 3% in 1974-75 during the same period the contribution of cottage industries to GDP has remained more or less stagnant contribution of transport sector increase from 1.5% in 1964-65 to 2.7% in 1974-75.

This despite more than two decades of planned development neither the GDP (and hence the per capita GDP) nor the structure of the economy has witnessed any improvement. The importance of agriculture in raising the growth rate is still the same as it was prior to the initiation of planned process of development. Even the per capita GDP has remained stagnant.

It indicates no structural change or economic transformation of the economy of Nepal.

Transformation of the economy as measured in terms of output composition and labour force does not indicate any advance. Almost 94% of the total labour force depends on agriculture today as it did in the early sixties. Between 1964-65 and 1972-73, real agricultural GDP shows an increase of only 17.5% or an annual average increase of 1.9% which is lower than the growth rate of population (i.e. 2.1%) Performance of the non-agricultural GDP is only marginally better. It shows an increase of 20.5% in eight years or 2.6% annually on the average.

In the table shown below, some of the important characteristics of the economic structure of Nepal are listed and their pattern analysed since 1964-65. It reveals that the tax efforts as measured by the share of tax revenue in the GDP was extremely low in Nepal in 1964-65 (Only 2.5%) Even in 1972-73 this ratio (4.6%) was much lower than 9.8% for country (ies) with a per capital GDP of 50 dollars and 12.7% for those countries having a per capita GDP of 100 dollars.

Reliable gross domestic investment figures are not available for Nepal. Real gross fixed capital formation as percentage of Nepal GDP turns out to be about 6% only. If

other elements of investment, eg. investors, are taken into account, the most optimistic estimates puts gross investment at 9% of GDP. Even this figure is much lower than 11.7% and 15.1% for countries with per capita income of 50 and 100 dollars respectively. Similar is the case with school enrolment ratio. Since reliable data of gross national savings are not available for Nepal, this element has been left out from table (below). All that could be said about it is that the national savings/GDP ratio is much lower than the investment rate of 9%. (5).

In the trade sector, the declining share of exports in the GDP from 7.8% in 1964-65 to 5.5% in 1969-70 is rather ominous. In a backward agricultural economy it is only to be expected that primary exports would constitute more than four-fifth (4/5) of the Nepal exports. A disappointing aspect of the Nepalese imports is rather high proportion of primary impacts in the total. Slow rate of growth of Nepali economy has hardly made any impact on its economic structure.

Slow growth of GDP and absence of structural changes in the economy of Nepal can be explained in terms of development strategy followed under the the plans. First and second plans suffered from serious shortcomings because of the mutual non-existence of detailed knowledge of the prevailing economic conditions of the country. Thus, though, planning era started

since 1956, the real start in planned economic development began with the launching of the third plan (1965-70)

TABLE : 5 BEHAVIOUS OF NEPALESE ECONOMIC STRUCTURE

(1964/65 - 1972/73)

	1964 -65	1965 -66	1966 -67	1967 -68	1968 -69	1969 -70	1970 -71	1971 -72	1972 -73
1. Gross fixed capital formation at 1964-65 price as % of real GDP	5.6	4.6	4.3	4.5	5.2	6.2	-	-	-
2. Tax revenue as % of GDP	2.6	2.7	3.6	3.8	4.3	4.7	4.4	4.5	4.6
3. School enrolment ratio	3.8	4.3	4.4	4.9	5.0	4.9	5.0	-	-
4. Agricultural GDP	68.0	65.0	66.0	67.0	65.0	70.0	67.0	65.0	65.0
5. Non-Agricultural GDP	32.0	35.0	34.0	33.0	35.0	30.0	33.0	35.0	35.0
6. Primary labour as % of total labour force	93.8	-	-	-	-	82	-	-	-
7. Exports as % of GDP	7.8	5.4	6.6	5.5	7.1	5.5	-	-	-
8. Import as % of GDP	14.6	11.3	7.5	6.6	9.3	9.7	-	-	-
9. Primary exports as % of total exports	87.3	81.7	86.2	78.6	74.1	85.9	-	-	-
10. Primary Imp.	40.5	40.3	51.1	39.5	32.5	37.0			

Source - S.K. Singh - Page No.96

The primary objective of this plan was to develop the pre-requisites for a rapid economic growth. To achieve this, a particular strategy of development was accepted. This strategy accorded top most priority to the development of sectors like transport and communications. This approach extends over the fourth plan (1970-75) as well. The allocation of public sector outlay in these two plans as well as in the fifth plan (Planned) is presented in table below :-

TABLE : 6 ALLOCATION OF PUBLIC SECTOR OUTLAY IN NEPALE (Rs. Million)

Sector	Third Plan		Fourth Plan		Fifth Plan	
	Amount	%	Amount	%	Amount	%
1. Transport and communication	873	49	1050	41	1869	28
2. Agriculture & Rural development	397	22	662	26	2003	30
3. Industry & Power	86	5	470	18	1335	20
4. Social Services	239	13	352	15	1467	22
5. Less allotted	205	11	14	1	-	-
Total	1779	100	2548	100	6674	100

A study of above table, indicates that almost one-half ($\frac{1}{2}$) of the public sector outlay in the 3rd plan was directed towards the transport and communication sector and more than two-fifths ($\frac{2}{5}$) in the fourth plan. Consequently, the

productive sectors of the economy development, Nepal did rightly accord the top most priority to transport and communication development. It is revealed in the statement of the third plan as transport and communication difficulties have been major obstacles to rapid economic development of Nepal" (Rostan also claims that railways washistorically the most powerful single indicator of take off) Since these difficulties have been overcome to a large extent by now, the development strategy of the fifty plan accords top most priority to the productive sector. From the following table it is clear that agriculture industry and power claim one-half ($\frac{1}{2}$) of the total planned outlay.

TABLE : 7 GROSS FINED CAPITAL FORMATION AND SAVINGS IN NEPAL
(Rs. in million)

	1968-69	1969-70	1970-71
Gross fined capital formation	209.3	283.7	313.2
Building purchase	2.3	0.2	1.3
Building construction	12.0	20.2	22.8
Road and bridges	120.6	195.2	207.8
Other construction	49.3	43.7	58.5
Machinery equipment	23.4	18.0	16.3
Transport equipment	1.7	6.4	6.6
Total savings	130.9	119.2	59.8
Savings at Current A/c	118.7	118.6	61.5
Operating surplus of Govt. enterprises	12.2	0.6	- 1.7

The above table reflects that high priority to transport and communication have been accorded to gross fixed capital formation of national economy. (6)

DOMESTIC RESOURCES MOBILIZATION

Domestic resources mobilisation in Nepal is one of the lowest in the world. Domestic savings consists of 9.4% of GDP of the country. Government revenue during the 6th plan period, (1980-85) was Rs.15,405 million averaging Rs.3080 million per annum. The growth of government revenue although increasing, is far from satisfactory. During the six plan period revenue grow at the rate of 15.8% per annum in nominal terms which in real terms comes to less than 5% if inflation for the period is adjusted, on the otherhand government expenditure during the 6th plan period totalled Rs.34,393 million, averaging Rs.6880 million per annum. Thus, the sixth plan exhibits an increasing gap between government revenue and expenditure. The budgetary deficits, inclusive of foreign grants, have increased from Rs.804 million in 1980-81 to Rs.3370 million in 1984-85.

Revenue collection in Nepal through tax system is heavily dependent as indirect taxes, specially customs an import of goods and sales tax. More than (2/3) two thirds of the sales tax revenue is contributed by sales tax on imports

which is collected at source and not during sales. Such a heavy dependence on indirect taxes has made Nepalese tax structure recessive in nature. The contribution of direct taxes to the total tax revenue is negligible for example, the share of income tax is only 7.67% of the total revenue in 1981-82. Land revenue also forms only a small portion of government revenue. Its share in the total tax revenue is roughly 4% in 1981-82. Tax concessions accorded to the manufacturing sector enterprises is very insignificant. (7)

The tax GDP ratio in Nepal is quite low as compared to other developing countries its usually argued that developing economy should be expected to achieve a tax/GDP ratio of at least 18%. A study of 47 countries (developing) has indicated that this average tax/GDP ratio was 15.8% over the period 1972-76. The ratio of Nepal was 5.96% with a rank of 45 among the 47 nations in terms of tax efforts. (8)

For meeting the increasing budgetary deficit the government of Nepal has been resorting to internal borrowing since early 1980. Internal borrowing was quite small till the third plan period, after which it has been increasing rapidly. The first three years of the sixth plan indicates internal borrowing at faster rate with Rs.1749.9 millions. Again, the proportion of internal borrowing to the total deficit was very

small till the third plan period. But it has increased during the fourth and fifth plan period. During the first three years of the sixth plan only its percentage to the budgetary deficit has been 18.1%.

One feature of the internal borrowing in Nepal is that the major portion of it has resulted from the adoption of the inflationary sources. (unreal borrowing) i.e., through the banking system. Internal borrowing from non-inflationary sources. (real borrowing) has been declining steadily over the years. For example, in 1982-83 the unreal borrowing constitutes 87.6% whereas the real borrowing forms only 12.4% of the total internal borrowing held.

The aid inflow has increased in Nepal every year. It has constitutes 94%, 83%, 70%, 58%, 45% and 60% of the total expenditure during the first, second, third, fourth, fifth and sixth plan respectively.

On the demand side, the even widening resource gap and trade deficits has obviously called for more and more of aid. The need of aid is all the more increased by improved absorptive capacity, high maintenance bills and the effects of domestic and international inflation. On the supply side aid has always been a commodity in plentiful supply. Although the

kingdom has not yet become much aggressive seeking aid, the supply side has never been a problem. The Challenge, indeed is one of spending the available aid more efficiently and economically.

The changing structure of aid in favour of loans is a significant trend. This obviously shows that the external liability of the kingdom is on the steady increase. External public debt as per unit of GNP has increased from 0.3% in 1970 to 14.1% in 1983. Debt Service Ratio has reached 0.3% of GNP and 3% of exports in 1983. Although Nepal still lags behind many other countries individually or collectively in this case. the growing burden of debt deserves attention particularly in the present context of weakening basis of foreign exchange earnings. (10)

Like other developing countries, Nepal's imbalances between the Govt. expenditure and resource mobilisation lead to the reliance on deficit financing during the 3rd plan period the figure reached at Rs.39 million (4% of the total development outlay) During the 5th plan's first two years the estimated figure was Rs.103 million or 3.4% of the total estimated development outlay.

Deficit financing is a method which Govt. of Nepal cannot use liberally for two reasons. First is the foreign

exchange relationship with India. Nepal maintaining a policy of fixed exchange rate and fully convertible with the Indian currency. In the absence of any foreign exchange mechanism to prevent increased demand for Indian goods being translated into increased goods, continued deficit financing will cause balance of payments problem with India. The Nepal Rashttra Bank's calculation shows that every 100 Nepal Rupee (NR) added to the money supply creates an additional import demand from Indian of 40 NR. Secondly, deficit financing by Nepal Govt. results in an increase in the money supply which turn, contributes to inflationary price rise. (11).

The average percentage change in money supply during the period 1974-75 to 1980-82 is measured to be 14.2% where as the average percentage change in GDP at 1974-75 constant prices is estimated to be only 3.04% showing the average %age increase in money supply as 11.2% in excess of increase in GDP. The average %age rate of increase in imports is estimated to be 16.7% for the same period. (12).

REGIONAL DISPARITY

One important dimension to the development problem in Nepal is highly marked disparity between different regions - between the vertically divided Development Region such as eastern, Central, Western and far Western or between the

horizontally divided Natural Regions such as mountains, Hills and Terai, it creates imbalances in development and benefits and adds towards regional disparity in production, employment and income. Human activities and natural resources of Nepal at any given state of development are maldistributed which are in effect responsible for creating regional disparity and inequality.

The country, which is characterised by extreme topo-graphical contrasts, includes three district regions. The mountain in the north region of the country occupies 34.4% of the total area exceeding 3000 meters of in altitude with rugged and barren landscape (with more than 50 peaks out of which 12.6% area is mostly covered with snow) The cultivated land area in the region thus becomes as small as 3% and sparsely populated containing 5 to 7% of the total population.

The terai plain in the south, along the Indian boarder (about 825 Kms.) has closing links with India. It is mostly flat with a greatly sloping plain terrain and known as "grain basket" of Nepal. The cultivated land area in the region is as high as 70% with about 30% of the total population.

Between the terai and the mountains lies the hill region, which spreads over nearly 44.2% of the total area with the altitude varying 900 to 3000 meters. The region comprises of

agricultural land and best pastures with the cultivated land area of 25% containing densely populated of 60% of the total populated and also where about 35% of agricultural production takes place. The hill region accommodation the Kathmandu Valley, the administrative and commercial centre of Nepal.(13)

According to 1981 census, out of a total of 15.02 million people, nearly 56.4 live in mountain and hills and next in the terai. A gain, the population of Nepal is overwhelmingly rural only some 956721 out of total of about 15.02 million lived in urban centre of more than 5000 inhabitants. About 95.1% of the total population lived in rural area of Nepal, where as urban population was only about 5% on 1980. (14)

The per capita agricultural land is 0.11 hectare in the mountains and hills where as it is 0.30 hectare in the terai plain cultivated area accounts for only 17% while forest area for 32% barren land for 19% pasture and meadows for 13% area under perpetual snow for 19% and water bodies for 3%. Again, of the total land area of the country 40% is unusable being too high or steep or another 32% is under forest cover.(15)

Only 16% of land is said to be available for cultivation of the total cultivable land area, the hills are very densely populated, though growth rate of population in

the mountains and hill regions during the inter census period 1971-81 did not exceed the population increase rate of the terai regions. (16)

The distributional pattern of urban population as it is today, is quite uneven. Out of the total urban population of the country Kathmandu alone comprises of 20%. Similarly, Biratnagar and Lalitpur, the second and third most populated cities, together comprises of next 20%. On the other end of the continuum 15 petty towns together support a population equal in number to that of Kathmandu alone. On the other hand, the pattern of spacing of urban centres is not uniform, the Himalayan region as a whole and the far eastern hills did not have a single town with a population of 9000 or more. More facilities seems to be agglomerated in Kathmandu Valley, the eastern and central terai. The absence of well-planned rural development strategies of the government of Nepal, only a few urban centres are prospering at the cost of the villages and petty towns. (17).

Since 9 out of 10 persons in Nepal reside in rural areas, data concerning rural situation may be taken to broadly represent all about Nepal. According to data available in the agricultural credit survey nearly 7.19 million people representing

owners of small and medium size level holdings of 68.80% of a total of 10.16 million in agriculture, survived on incomes estimated at Rs.1.25 per day which is considered to be below the poverty line.

A total of 4.50 million people or 36.20% of population 12.45 million in 1977 area formed to survive on a per capital daily income below Rs.2.0 at 1976-77 prices and hence considered poorest of the poor and fall below the poverty line (absolute poor) of these 4.40 million or 97.62% lived in rural areas while 0.10 million or 2.38% in urban areas. Again, of these poorest of the poor below the poverty line highest concentration of population in terms of number works out in the Central Region followed by eastern far western region, however in terms of %age for eastern region has the highest proportion (43-70) of people living below the poverty line, followed by eastern (38.10), Central (33.20) and western (31.80) regions. But at the development region level %age of households of this absolute poor have been identified highest in the eastern region (49.80), closely followed by far western (48.10) central (36.46) and western (32.56) and western (32.56) regions.

Apart from the poorest of the poor, substantial number of poor live above the poverty line, where per capita daily income is above Rs.2/- but below Rs.2.68 and income required to meet the national average per capita daily consumption expenditure (relative poor). The number of such relative poor

is estimated as 2.34 million people or 18.95% of the population 12.45 million in 1977. Of these 2.24 million or 95.99% lived in rural areas, while 0.10 million or 4.11% in urban areas.

On this condition, the number of the total poor (including both absolute and relative poor) in Nepal stood at 6.84 million or 55.04% of which 6.64 million people or 33.33% in urban areas. This indicates highest concentration of total poor population in rural areas (97.03%) as compared to the urban areas (2.97%). On the other hand although the concentration of total poor people in number is highest in hills, followed by terai and mountains the concentration of total poor in terms of %age is highest in mountains (77.46%) followed by hills (63.85) and terai (40.98). Thus higher poverty is the sign of least development of the area and the region. (18)

The average per capita daily income of 10.46 million farmers (92.7%) of total population of 11.29 million depend on agriculture) works out as Rs.2.17 for the terai, while average per capita daily expenditure as Rs.2.40 for mountains, Rs.2.69 for hills and Rs.2.54 for the terai, leaving thereby a net per capita deficit of Rs.0.23 and Rs.0.10 for the mountains and hills respectively while a net per capita daily balance of Rs.0.25 in the terai. The Nepal average per capita daily income of the farm families has been estimated Rs.2.64 against Rs.2.53 per capita daily expenditure.

The above data provide an indication that the planning in the last decade has been accompanied by greater regional maldistribution of income due to imbalances in development and growth of certain regions, areas, farmers or industrial entrepreneurs. The statement can be substantiated by the following table :-

TABLE 1.8 FAMILY INCOME CONSUMPTION AND POVERTY IN NEPAL 1977-78

Regions Development Geographic	Average per capita daily family income (Rs.)	Average capita daily family household consumption (Rs.)	Below Poverty Line	
			Household (%)	Population (%)
Eastern	2.70	2.69	49.80	38.97
Central	2.74	2.59	36.46	34.98
Western	2.58	2.61	32.56	31.98
Far Western	2.44	2.72	48.10	44.14
Nepal Average	2.64	2.59	41.22	37.17
Mountains	2.17	2.40	77.84	71.85
Hills	2.59	2.69	36.05	34.86
Terai	2.79	2.54	39.63	31.63
Nepal Average	2.64	2.59	41.22	37.17

Source - N.P.C. Nepal

The per capita and per family agricultural land is nearly 0.15 and 0.84 hectare in the hilly part of eastern region as compared to 0.33 and 1.91 hectare in the terai part.

It is 0.10 and 0.69 hectare in the hilly part of eastern region as compared to 0.30 and 1.81 hectare in terai part. These inequalities in per capita and per family agricultural lands have resulted in a gulf of imbalance between regions for persons subsisting on per hectare of cultivated land which vary from 7.59, 11.60, 7.43 and 8.52 persons on hilly lands of eastern, central, western and far western regions as compared to 3.34, 3.84, 3.05 and 2.62 persons on terai land. As such the pressure of land on per hectare of cultivated land is more than twice in the hilly part of the eastern and western regions as compared to terai part and more than twice in hilly part of the central and far western regions as compared to terai part. This is shown in table below :-

**TABLE : 9 PER CAPITA AND PER FAMILY LAND AND PERSONS PER HECTARE
OF CULTIVATED LAND IN DEVELOPMENT REGIONS IN NEPAL
1976-77**

Geographical	Persons in Number	Land in hectare				Nepal average
		Agricultural land	Development Regions			
		Eastern	Central	West- ern	Far western	
Hills & Mountains	Per capita per	0.14	0.08	0.15	0.10	0.11
	family person per hect. of cultivated land	0.86	0.51	0.84	0.66	0.69
Terai	Per capita	0.30	0.26	0.33	0.38	0.30
	Per family	1.74	1.56	1.91	2.63	1.81
	Person per hect of cultivated land	3.34	3.84	3.05	2.62	3.34
Nepal average	Per Capita per family person per hect. of cultivated land,	0.23 1.35	0.17 1.03	0.16 0.93	0.18 1.22	0.18 1.10

The structural imbalances in per capita and per family agricultural land and of persons per hectare of cultivated land has created socio-economic problems in the field of agricultural planning and thus development. (19)

TABLE : 10 AVERAGE SIZE OF LAND HOLDINGS/OPERATIONAL

HOLDINGS BY REGIONS

REGIONS	AVERAGE SIZE OF LAND HOLDING IN HECTARE	AVERAGE SIZE OF OPERATIONAL HOLDING IN HECTARE
Mountain	-	0.56
Hills	0.56	0.74
Inner Terai	2.43	-
Terai	2.41	1.63
Nepal	1.23	-

Source - NPC and CBS, Kathmandu, Nepal.

Fragmentation of holdings too contributes to regional imbalances both in terms of size of parcels as well as number of parcels and their distribution, farm management study indicated 4.3 fragments of cultivated land per household in hills with average size of each fragment as 0.11 hectare. In comparison number of fragments for terai is 3.8

per household with average size of each fragment as 0.95 hectare. More over data of agricultural credit survey indicated that 96.99% holdings in the hills and mountains are below 0.57 hectare in comparison to 72.21% holdings in terai. Holdings above 0.51 hectare are only 3.01% in the hills while 27.79% in the terai.

Thus this fantastic imbalance in land holdings between hills and terai results in increasing differentiation in terms of income distribution and emigration with the peasants. Consequently, hills farmers are more vulnerable in respect of size of operational holdings number of fragments per household and cultivated area per fragments in comparison to their counter parts in the terai. (20)

The imbalance created in the process of development over the past years are due to the fact that Nepalese planning efforts indicated a heavy emphasis on capital region (consumptive investment) and the terai (export-oriented) and only residual investment in the hills. During the period 1956-70 corresponding the plan period, the regional distribution of a number of profits were 14% in the hills and mountains 28% in the terai, 34% in the Kathmandu Valley and 22% nation wide profits.

The estimate of the total development budget expenditure between 1950-70 indicate that Bhagmati zone of

40% share of expenditure, Narayani and Koshi another 27% and the rest of Nepal (11 other zone) has received only 24%. The development expenditure thus explains a fair basis in the favour of Kathmandu, Manang, Gunsani and Narayani. It is more clear from a study over the period of 7 years following (1972-73) as presented in table below :-

TABLE : 11 REGIONAL DISTRIBUTION OF DEVELOPMENT EXPENDITURE IN NEPAL OVER THE PERIOD 1972-73 & 1979-80 (Rs. million)

Region	<u>Development Expenditure over the Period</u>			
	1972-73, 75-76	%age	1978-79, 79-80	%age
Eastern	619.25	13.75	892.40	15.88
Central	1761.71	39.09	2418.10	43.05
Western	553.33	12.28	853.80	15.20
Far Western	659.13	14.63	855.50	15.23
Non Identified	912.26	20.28	597.70	10.63
Total Nepal	4506.08	100.00	5617.50	100.00

Source - Ministry of Finance, H.M.G.

The above unequal share of development expenditure over the past several years have resulted in imbalances in development and benefits between hills and terai as well as between development regions.

A single factor which is creating regional imbalances in development of Nepal has been the availability of infrastructure in the form of transport and communication irrigation and power and social services. The selected development indicators are given in table below. (21)

TABLE : 12 NEPAL'S DEVELOPMENT INDICATES FOR GEOGRAPHICAL REGIONS (1950-70)

	Roads (all weather) in miles	Airports (all weather) No.	Power in Km	Irrigation land in hectare	College and Univ. ersity	Hospital No.	Beds
Mountain	38	-	10050	1735	-	4	66
Hills	291	1	29290	31224	13	18	360
Terai	395	3	3875	136721	15	24	600
Kathmandu valley	114	1	4270	11646	20+1	7	1000
Total Nepal	838	5	47485	181926	49	53	2026

In the decade that is 1970 to 1980 and further a few more years shows that in 1980 these length of roads were 4940 Km. In 1983 the No. of hospitals were 80 and beds were 3522 besides these 26 health centre, 744 health post and 125 Ayurvedic dispensaries were active in the Nepal. In 1983 the power generation was by hydro 313674 MWH and by diesel 2924 MWH.

The total land under irrigation during 1980 and was 95425 hectares. (22)

It is clear from the above table that benefits of development in the area of roads, airports, irrigation and social services have gone mostly in favour of terai plain and Kathmandu valley. Except for power and irrigation which indicates the benefits for a few profits created mostly in the central huts and mountains. Western and far western hills and mountains have remained almost neglected in the matters of agricultural industrial infrastructural and social services development.

TABLE : 13 TRANSPORT AND COMMUNICATION FACILITIES IN NEPAL (79-80)

Particulars	Year	Development Regions								All Nepal	
		Eastern		Central		Western		FarWestern		No.	%
		No.	%	No.	%	No.	%	No.	%		
										4291	100
Total Roads in Kms.	1978	1022	21.80	1826	38.93	917	19.55	926	19.72		
										7579	100
Total Motor Vehicle(no.)	1978	1483	19.57	5043	66.54	736	9.70	317	4.18		
Airports No.	1980	4	-	4	-	3	-	4	-		
Std Airfields No.	1980	3	-	1	-	2	-	7	-		
										12025	100
Telephones line No.	1980	2650	22.04	8550	71.10	425	3.53	400	3.33		
Wireless station No.	1980	18	-	16	-	20	-	26	-		

Source : Ministry of works and transport and communication, HMG

The above table shows that both in terms of roads and motor vehicles the Central development region dominates, followed by eastern region, little disparity however, available in respect of air facilities between different regions. But in the field of communication central region has got lions share of telephone lines which again followed by eastern region. In all spheres, however western and far western regions are neglected.

TABLE : 14 IRRIGATION AND POWER FACILITIES IN NEPAL (1977 - 78)

PARTICULARS (area in hect. power in KW)	DEVELOPMENT REGIONS							
	Eastern		Central		Western		Far Western	
	No.	%	No.	%	No.	%	No.	%
Irrigated area	6539.91	30.55	82664	38.64	30322	14.16	35693	16.67
Total hydrel power	15240	29.00	34620	65.82	2418	4.60	280	0.53
Diesel power plant	4450	20.17	10737	48.67	4325	19.60	2350	11.50
Energy sold (MHW)	19382	-	96605	-	8371	-	5048	-

	<u>All Nepal</u>	
	No.	%
Irrigated area	214070	100.00
Total hydrel power	25558	100.00
Diesel power plant	22062	100.00
Energy sold(MHW)	129417	-

....33/-

Source - Department of irrigation and Hydrolery, Electricity
HMG.

From the above table it is revealed that the central region shares almost highest of the irrigated area, followed by eastern, far western and western regions. Horizontally about 90% of the total irrigational facilities are concentrated in the terai regions. The western part of Nepal, where total amount of rainfall is relatively low, have limited irrigation facilities this regional imbalances in irrigation facilities naturally has imbalance effect on farmers output and income. On the other hand, the central region almost dominates in hydrel power and diesel power plants.

It is followed by eastern region, western region and far western region have got negligible share of hydrel power where as diesel power plants are close eastern region. Again it is interesting to note that the majority of hydrel power stations are located in hilly regions, while all the diesel power plants is the terai regions. (23)

In respect of social services like education and health facilities regional inequalities are also found due to existing imbalances in the availability of infrastructural facilities.

The ratio of Nepali girl students is seen to very much less than for boys students (roughly 15% girls and about 78.33% boys combined of primary, secondary and campus level)

creating 24.72% literacy among males and only 3.66% literacy among females. The differences, however, is not uniform all over Nepal. Out of 3103 girl students in the Campus level, 2275 are from Kathmandu valley. (Or Bagnatizone) The greater number of campus level girl students is 438 in Korizone. The comparative number of campus level are 88 in Lumbini, 84 in Narayani, 49 in Sagarmatha, 42 in Bhari 39 in Janakpur and Gandahi 22 in Bhakali. From this it can be understand that the educational position of girl students in Kathmandu Valley is comparatively better. But it is pitable in most of the zones and thus education has not penetrated in rural areas of Nepal. (24)

More over the central and western regions dominate in the availability of primary and lower secondary schools having in all 3468 and 3441 schools in comparison to 3054 and 2984 schools in eastern and far western regions respectively. Again 211 higher secondary schools are situated in the Central regions. While 168165 and 100 in the western eastern and far western regions respectively in the year ending 1979.(25)

.....35/-

TABLE : 15 : POPULATION 6 YEARS OF AGE AND OVER BY EDUCATIONAL ATTAINMENT

(LEVEL PASSED) FOR DEVELOPMENT REGIONS 1981

AREA	Total	Literature	No. of schooling	Primary (1-5)	Lower Secondary (6-7)	Secondary (8-10)	S.L.C. & above
Nepal	12179688	2833435	670174	1380015	260015	324364	198349
		(23.26)	(0.18)	(11.33)	(2.13)	(2.66)	(1.63)
Eastern Development Region	3040283	832085	196656	395129	84254	97804	58242
	(24.96)	(27.37)	(6.47)	(13.00)	(2.77)	(3.22)	(1.92)
Central Development Region	4000445	909704	209568	407374	84037	115402	93323
	(32.85)	(22.74)	(5.24)	(10.18)	(2.10)	(2.88)	(2.33)
Western Development Region	254134	656551	155206	339706	58639	79202	32798
	(20.86)	(25.85)	(6.11)	(23.37)	(2.31)	(2.76)	(1.29)
Far Western Development Region	2598826	435095	108744	237806	33603	210956	13986
	(21.34)	(16.74)	(4.18)	(9.15)	(1.29)	(1.58)	(0.54)

The above table shows that in 1981 out of total population 12,179,688 the literate are 2,833,435 or 23.36 percent. 6,701,74 persons have not gone to any school and 11.33, 2.13, 2.66 and 1.63 are the percentages of primary, lower secondary, secondary and SLC and above respectively. When we see as per the development regions. Though the percentage of literacy is maximum in eastern region (27.37) the Western Region and for Western Region. But in actual number central development region is leading to all the development region and in terms of no schooling the percentage is minimum in far western development region, then central region, western development region and eastern development region.

In the consequence the central development region has highest literate population in number and least no of population with no schooling in whole Nepal. (26).

Health and family planning facilities are also witnessed in regional inequalities. For example, in the field of health parts and centres which should spread over in rural areas out of total 500 in Nepal both the central and far western regions have 153 followed by 135 and 119 in eastern and western regions respectively. In the urban areas, out of total 73 hospitals all over Nepal, Central regions have 28 followed by 17.16 and 12 in the eastern, western and far western regions respectively. Again out of 2657 hospitals bed, there are 1509 beds in Central region followed by 476, 446 and 226 in the western, eastern and

and far western regions respectively. Thus, there is a greatest concentration of health facilities in the Central Region in comparison to other regions of Nepal. As a result, doctor population rates is lower in Central regions and higher in eastern, western and far western regions. (1 : 17415, 1 : 42597 1 : 52173 and 1 : 62205 respectively being all Nepal as 1 : 30858 in 1979) In the same year, out of 250 families planning offices and clinics in the country 80 are in the far western region followed by 65, 57 and 54 in the Eastern, Central and western regions respectively. However, only one nurse and one hospital is available for 3200 and nearly 6000 people of Nepal respectively.

In the area of drinking water facilities central region again dominates. The region has 171 drinking water projects by 129, 73 and 72 in the western, eastern and far western regions respectively. The water facilities is virtually absent in the hill areas of Nepal. (27)

The occupational structure of a country is generally the ultimate product of past educational development, social attitudes towards work and will of the nation of economize all possible resources for raising the people's standard of living. Therefore, the occupational structure in same way, reflects the investment in human capital. The quality of labour means more than simply technical skills. It assumes that the body of knowledge, experience and practice acquired by the

labour force can be effectively used in beginning changes in the economic structure of the country.

The occupational structure of the economically active population in Nepal, shows longly the same characteristics as the other factors. The following table shows the percentage of years of schooling completed for males and females in 1971 by occupation. These percentages indicate the general trend pertaining to developing countries, in the educational level by education attained and occupation, need no demonstration. Males and females with no schooling back ground have far less chances in the professional and technical jobs. The percentage of farmers (94.37%) corresponds closely and logically with the proportion of workers engaged in agriculture more than 95% of total agricultural workers who from the majority of the work force did not receive any type of schooling at all. (28)

**TABLE : 16 : MAJOR OCCUPATION GROUP OF ECONOMICALLY ACTIVE
POPULATION 10 YEARS OF AGE AND OVER BY DEVELOPMENT
REGIONS - 1981**

Development	Total	Prof/Tech workers	Administ- rative workers	Clerical workers	Sales work- ers	Service workers	Farm Prod. Fish labour work workers	Occupation not stated	
Nepal	6850886	(0.94)	(0.09)	(0.72)	(1.25)	(0.24)	(91.37)	(3.12)	
		64132	6232	49161	85341	16430	6259613	213851	156126
Western Region	1650137	(0.94)	(0.05)	(0.50)	(1.63)	(0.24)	(87.88)	(5.58)	
		15554	768	8319	26901	3981	1450158	92081	52375
Central Region	2133999	(1.02)	(0.21)	(1.35)	(1.75)	(0.36)	(88.83)	(3.96)	
		21761	4505	28727	37283	7764	1895664	84476	53819
Western Development	1466469	(0.94)	(0.04)	(0.49)	(0.91)	(0.17)	(94.30)	(1.55)	
		13753	568	7257	13410	2506	1382874	22687	23414
Far Eastern Dev. Region	1600281	(0.82)	(0.02)	(0.30)	(0.48)	(0.14)	(95.67)	(0.91)	
		13064	391	4858	7747	2179	1530917	14607	26518

Source : Central Bureau of Statistics, Kathmandu Nepal (Data in brackets indicate percentage)

The very low supply of professional technical and related workers (0.94% of total labour forces) or administrative and managerial workers of (0.09% of total labour force) of clerical workers (0.72% of total labour force) of service and related workers (1.25% sales workers and 0.24% service workers) and of production (3.12% of total labour force) agrees very well with the still limited opportunities open for persons outside agriculture and reflects the magnitude of difficulties that are facing the national economy in modernising parts of its sectors. Furthermore, the build up of certain skills of to increase agricultural production by applying modern techniques would obviously be impeded by the very low proportion of educated and skilled workers beyond secondary level. Increase in sales workers from 17.39% in 1961 to 22.02% in 1971 to 23.58% in 1981. Coincides with the general trend of expansion in the trading sector. (29)

Compared with other developing countries particularly of South Asia, Nepal has a fairly low proportion of professional managerial, and skilled labour (0.94% in Nepal) as against 3.4% in India, 5.6% in Indonesia, 3.4% in Korea, 2.2% in Malaysia and 1.87% in Pakistan. It must be taken into account that accumulation of skill administrative and managerial tradition is not only a product of the educational system, but also is a function of time and Nepal has been open to the outside world only very recently. Since no information was given on

the economic characteristics of the Napelese residing abroad, it would be difficult to discuss the import of out migration on the skilled labour force in the country.

The regional distribution of occupation in the above table reveals typical concentration of professional, administrative and clerical workers in central development region. This distribution indicates the limited opportunities for administration, technicians and other skills in the remote areas of the far west and the inducement to migrate to Central development region, where the capital and other large urban places are situated.

East and central development regions employ together 85.7% of total administrative persons and about 70% of persons in professional and technical category. This big difference however would certainly lead to sharp contrast in implementing the economic plans in each region. Administration in the western and far western region comprise mainly of government civil servants working in public administration, rather than workers in production management. (30)

A relevant measures of economic development over a certain period of time in a country can be accounted for by classifying its labour force into three major sectors which together make up the economy namely the primary, secondary and

and territorial sectors. Primary industry includes mainly agriculture, fishing, mining and quarrying. The secondary sector comprises manufacturing, construction and public utilities. In other words this sector comprises all activities engaged in the process of primary products disregarding the stage production. Territorial sector consists of transport and communication, trade, personal and domestic services such as insurance and finance.

In spite of the wide controversy concerning the validity of this classification and in the absence of relevant data on the economic development of Nepal. This type of analysis is quite justified. The proportion of the labour force engaged in the main three types of production are in certain respect an index of economic development through out the period under observation. In the course of economic development in the industrialization nation, the proportion of labour force in agriculture was declining as these countries were advancing in their economics. This decline was mostly in favour of using proportion of labour force in agriculture in the industrialized countries declined considerably as a result of the fundamental changes in the functional distribution of the labour force. The primary sector comprises 4.9 in the U.S.A. 17.4 Australia 14.6 in Denmark, 16.2 in West Germany and 5.4 in U.K. it

should be taken into consideration that changes in the structure of labour force in the advanced countries were the result of a very long and complicated process of educational, technical organizational and social changes combined with change in structure function, resource allocation and with expanding demands for various goods and services due to rise in income and wages.

Comparing the more economically advance countries with Nepal is in no way helpful, except in out lining economic progress in the west as merely an example of what these countries have achieved during a painful and labourious phase of their economic history. Economic condition in Asian countries may serve to certain respect, as a more plausible indicator in comparing the economic structure in these countries with Nepal. Where in some respects these are common factors namely, rapid population growth and heavy burden on cultivated land.

It is obvious from comparison with Asian countries (in following table) that Nepal's economy was not able during a period of the almost twenty years to bring changes in the functional distribution of the labour force. Primary sector has prevailed to be labour intensive, while secondary sector consisting mainly of cottage industry and a small size mechanized consumers industry with very limited workers

absorbing capacity has not yet sufficiently developed to cover the expanding needs of the population for consumer's goods.

TABLE 17 THE ECONOMICALLY ACTIVE POPULATION OF NEPAL & SELECTED

COUNTRY	YEAR	SECTOR OF PRODUCTION			ACTIVITIES NOT ADEQUATELY DESCRIBED
		PRIMARY	SECONDARY	TERTIARY	
Nepal	1952	93.48	2.15	4.17	0.20
Nepal	1961	93.82	2.04	3.38	0.77
Nepal	1971	94.37	1.20	4.42	-
Nepal	1981	-	-	-	-
Bangladesh	1961	85.90	4.90	8.90	0.30
Thailand	1970	81.60	4.20	13.20	1.00
India	1971	72.50	11.00	15.80	0.70
Indonesia	1971	62.40	9.40	27.20	1.00
Srilanka	1963	48.90	11.80	37.50	1.80
Korea	1966	58.60	13.60	24.80	8.00
Japan	1970	19.50	33.60	45.50	1.40
Belgium	1972	5.20	41.20	51.30	2.30
Italy	1972	18.10	42.40	37.20	2.30

Source - ILO year book of labour statistics. Table - 2 page 42 1973.

Manufacturing and cottage industries share 4.03% of the gross national product (GNP) of Nepal, construction which is generally a labour intensive activity in developing countries contributed in 1981 to 7.58% of Nepal's GNP with a proportion of only 5.45% of the labour force and of 0.33% of total non-agricultural workers.

Taking Nepal as a whole 59.76% of her GNP is produced by 91.00% of the labour force and 40.24% is produced by the remaining 9.00% engaged in the secondary and territory sector as the following figures for 1981 shows.

<u>Sector</u>	<u>Proportion of GNP</u>	<u>Proportion of labour force</u>
Primary	59.76%	91.00%
Secondary	11.86%	0.56%
Territory	20.38%	6.43%
	-----	-----
	100.00%	97.99%
	-----	-----

In some Asian countries, particularly in those countries which have started economic planning in the 1950's transformation of the economic function of the labour force from agriculture to manufacturing and services was accompanied by a respective increase in their per capita income. A strong negative correlation is consequently associated between

proportions of labour force engaged in agriculture and per capita income. In the republic of Korea and Sri Lanka where this proportion was 53.6% and 48.9% respectively per capita income in U.S. dollar for the same year was 216 and 108. In countries with a higher proportion of agricultural work forces per capita income was accordingly low, Bangladesh with the highest proportion ranking second to Nepal has per capita income equal to 75 U.S. dollars. In some more advanced countries where this transformation has taken place a long time ago, and where secondary and tertiary industries are efficiently carrying the large overheads of administrative high, for example in Japan it is eleven (11) times higher than Indonesia and in Italy. It is 10 times higher than in Thailand (per capita income in Japan is 1664 dollars in Belgium 3286 and in Italy 1987).

Nepal stands second to Nigeria (96.9% in 1960) in the proportion of agricultural work force. A slight increase in this proportion has been recorded in 1971 census over 1961 census and 91.00% in 1981 census. Logically enough, since the rural proportion compared 97% of total population, now generations entering labour force in this area who have the latest opportunity to move in either direction namely, in the scale of the labour force unskilled agricultural labour

to semi-skilled labour in other activities or from rural to urban settlements would not find employment outside the traditional family, enterprise, of course, the low literacy rate in rural area on the one hand, and the narrow employment opportunity in secondary and tertiary sector on the other hand both added to pressure this condition. While proportion of agricultural work force has remained almost constant in the inter-censal period, variations in proportions of other branches of industry are necessarily dependent upon firstly, change in classification, and secondly on changes in the volume of work in some branches, as the relative increase in one branch accordingly implies a decline in the other. Nevertheless, agricultural labour force increased by 6.3% from 1961 to 1971, that is from 43,06,839 workers to 45,552 workers for the same period labour force outside agriculture increased by only 2.5% that is from 2,66,232 workers to 2,72,972 workers. During inter censal period of 1971-81, labour force in agriculture has increased to 62,45,260 workers and outside of agriculture it has reached to 6,05,626 workers.

Secondary and tertiary industries are by their nature concentrated in urban places. Where skilled manpower energy and moreover, markets and importing and exporting facilities do exist. But certain crafts, retail trades and cottage industry which are particularly related to agriculture and to the needs

of the village level population are practices in the rural area. (Cottage industry, which is occupying an important part in the economy of the country outside agriculture is by definition an industry employing less than 10 persons and using no automatic power driven machines).

The importance of cottage industry in Nepal's economy lies in the fact that this activity is acting as a outlet for unemployment in agriculture after the harvest season. But the person with any size of agricultural holding would consider himself as a farmer disregarding the period he spends on his work. On the whole 30% of all manufacturing industries are located in urban areas and 70% in the country side. Taking public services into account and considering the size of urban population, these services are extra ordinarily concentrated in urban areas the proportion of workers in public services amounted to 36.5% in urban places. Trade and commerce activity as shown in the above table, which is occupying the third place, including agriculture, has a strong position in urban area. Agriculture which is the back bone of the economy holds naturally as far less important proportion in urban economy (32.8% only)

A more clear picture of the industrial distribution of these labour force can be drawn by dividing industries into agricultural and non-agricultural groups.

<u>Nepal (Active population)</u>	<u>Agricultural workers (in 1981)</u>	<u>Non agricultural workers</u>
No. 6850886	6245260	605626
%age 100.00	91.16	8.84

For a variety of reasons proportions as well as number of workers were declining, both for males and females in urban and rural areas. This was occurring in all industries except commerce and personal and community services. In transportation for instance proportion of workers declined from 6.18% of total non agricultural work force in 1961 to 3.53 in 1971 and 1.23% in 1981. Porters who were classified in 1961 as transport workers, were in some parts of country gradually replaced by more advanced techniques, due to expansion of the network of roads. Craftsman engaged in cottage industry may find it much easier to shift to agriculture service both fields need no advanced skill in performing the work. Manufacturing which was advanced skill in performing the work offering employment for 30.36% in 1961 is sharing in 1971 only 19.03% and in 1981 only 5.43% of non agricultural work force. Commerce which by its very nature is more profitable, seems to attract more labour, particularly in areas, where barter was a predominant system of trading. Number of workers in personal and community services including Government services amounted to 137,759 persons in 1971 and 313,570 persons in 1981. Considering the non-agricultural sector, personal and community service sector

has expanded from 43.01% to 51.74% between 1961 to 1971 census and 51.78% in 1981 census, yet in absolute figures and considering a population of 15 millions, the previous number seems to be insufficient to provide the basic administrative needs of the population. Where needs of advanced social, health and educational services are growing fairly rapidly. This particular sector continued to absorb a growing work force of educated and skilled persons, as economic development advanced in the country.

As far as regional distribution of industry is concerned, proportions of persons engaged in agriculture are following a similar pattern among all zones except in Bagmati (central development region) in which the largest urban community is located. Differences in industrial composition are closely related with the location of trading paths with India in the terai.

In Koshi zone (Eastern development region) for example, where a considerable proportion of Nepal's import export traders via India passes through the town of Biratnagar, manufacturing and trading were accordingly flourishing. Labour force engaged in agriculture in this zone amounted to 90%. While manufacturing and trade together are offering jobs for 50% which is highest proportion for these two sector combined among all zones. Similarly, Narayani zone (central development

region) and Bheri (far western development region) have low proportion of agriculture workers due to the some reason mentioned above. (31).

The industrial distribution of non-agricultural workers by development regions is in the following table. Compared with other region, central has in general the highest proportion of population in this region account 32.68%, following table suggestion that essential activities such as electricity finance and business service are highly, concentrated in this area, particularly in Kathmandu Valley. proportion of workers in electricity amounted in central development region to 60.87% of total workers in this activity in Nepal while in other regions it forms only an insignificant fraction of total workers, the distribution of energy, industry, construction and financial business activities in the country is expected in all aspects to differ from one region to the other according to the existing difference in economic development, education level and furthermore, difference in the proportion of urban population.

.....52/-

TABLE : 18 MAJOR INDUSTRY GROUP OF ECONOMICALLY ACTIVE POPULATION 10 YEARS OF AGE AND OVER

THE DEVELOPMENT REGION (32)

Development Region	Total	Agriculture & Forestry	Mining & Quarrying	Manufacturing	Electricity Gas & Water	Construction	Commerce	Transport & Communication	Finance & Business Service	Personal Community Service	Industry not stated
Nepal	6850886	6244289	971	33029	3013	2022	109446	7424	9850	313570	127272
Eastern	16503137	1447056	185	11934	780	684	32316	2152	2342	117214	35473
Central	2133999	1886258	437	15043	1834	907	47607	3981	5839	130996	41097
Western	1466469	1380822	176	3381	316	191	17046	952	1006	36435	26144
Far Western	1600281	1530153	173	2671	83	240	12477	339	662	28925	24558

Source - Central Bureau of Statistics.

The proportion presented in above table confirm this relationship. Manufacturing which is by nature an energy consuming activity is in Bagmati zone at one offering jobs equivalent to the jobs offered by the same activity in the whole eastern development region. In a subsistence agrarian economy where primary products are not only limited in variety, but also produced by almost every family enterprise such goods would not be marketable in a poor urban market. Even if the transport difficulties can be overcome, Trade, therefore particularly outside urban settlement remain a marginal activity limited to the rudimentary purchasing power of the population. (33).

The productivity of the country is largely by the housing conditions. But most of the housing programmes related to urban areas. The situation of the rural areas is simply worse.

In the matters of banking facilities it is revealed that in 1979-80 out of a total of 231 branch/sub-branches offices of the commercial banks, 100 are located in the Central Region, followed by 59, 38 and 24 in the eastern, western and far western regions respectively. Again, out of a total 147 branch/sub branch offices of the Agricultural development bank, 47 are located in the Central region, followed by 36, 33 and 31 in the eastern, western and far western regions respectively. Even small farmer's development profits are higher in the central 12 and eastern 8 regions than in the western and far western regions 5 each.

Dominance of village level cooperatives (Sajhas) are also intensed in the Central region in large number (263) followed by eastern (160), western (139) and Far Western (118) regions. However, the number of agricultural inputs co-operations are high, although in negligible, in the far western regions (19) against the eastern (16), Western (15) and Central (14) regions. In the matters of Government specialised farm for the development of agriculture, fishery, horticulture and live stock, the central region has dominated with almost 36 farms against the far western (17) Eastern (11) and Western (8) regions. (34).

The disparity in the availability of infra structural and other facilities in Nepal as studied above have got its supercessions on the industrial and agricultural development of the economy giving again dominant place of Kathmandu Valley and central and eastern part of the terai. These can be supported from the following discussions.

The low level of Nepal's industrialization are merely concentrated in these industrial belts of kingdom, namely Kathmandu, Mitanda, Birgunj, Janakpur belt in the central region Rumani-Saptari-Buatnagar-Dharan-Jhapa in the eastern region and Bhairahwa-Butwa-Pokhara belt in the western region.

A study of the location of industries in Nepal indicates the spatial structure of a rather imbalanced industrial development. Out of 3528 industrial units of the country in 1976-77, 745 or 21.12% were located in the eastern region, 1787 or 50.65% in the central region, 665 or 18.85% in the western region and 331 or 9.38% in far western region. Horizontally, Nepal industrial capacity has developed to confine ten areas only 62.5% in terai and 37.5% in Kathmandu Valley, hills are completely deprived of large scale industry.

Regional concentration of industries becomes more pronounced in respect of capital investment as the central region here also tops the list. It is revealed from the table below that though share of investment in industrial development in the western and far western regions have doubled in the mid seventies its average percentage share remained almost stagnant the share of investment in the eastern region, however come down to half both in absolute and percentage terms. Central region's share of investment has nevertheless, increased in absolute terms, though percentage share shows a marginal increment.

.....56/-

TABLE : 19 BUDGET ESTIMATES OF DEVELOPMENT EXPENDITURE ON INDUSTRY POWER AND COMMERCE
(1972 - 73, 1975 - 76) (Rs. in 000's)

Year	Unspecified		DEVELOPMENT REGIONS								ALL NEPAL	
	Amount	%	Eastern		Central		Western		Far Western		Amount	%
			Amount	%	Amount	%	Amount	%	Amount	%		
1972-73	20134	14.5	33082	24.2	70954	52.2	7436	5.4	5114	3.7	38710	100.00
1973-74	45842	22.7	48141	23.8	90902	44.9	10714	5.3	6612	3.3	202221	100.00
1974-75	58270	27.7	30493	14.5	97321	46.6	15365	7.3	23262	3.9	224711	100.00
1975-76	80013	35.9	15578	07.0	104276	46.8	10044	4.5	13049	5.8	222954	100.00

Source - National planning commission, Kathmandu Valley

TABLE : 20 NEPAL'S BUDGET ESTIMATES OF DEVELOPMENT EXPENDITURE ON AGRICULTURE SECTOR
(1972-73, 1975-76) (Rs. in millions)

Year	Non-specified area		DEVELOPMENT REGION								ALL NEPAL	
	Amount	%	Eastern		Central		Western		Far Western		Amount	%
			Amount	%	Amount	%	Amount	%	Amount	%		
1972-73	54.99	33.4	24.39	14.8	61.66	37.4	12.36	7.5	11.43	6.9	164.83	100.00
1973-74	59.00	23.3	42.17	16.7	93.05	37.9	26.67	10.5	31.88	12.6	252.77	100.00
1974-75	60.56	22.94	42.15	15.9	92.88	35.19	33.64	12.75	34.72	13.16	263.95	100.00
1975-76	62.34	13.63	68.47	14.98	183.98	40.18	75.50	16.42	67.63	14.79	457.31	100.00

Source N.P.C. Nepal.

As regards number of cottage and small scale industries units, the western region has the highest concentration with 2,11,930 units or 56.26% out of total 3,76,632 units in 1976-77. It is followed by 96,387 units or 25.53% in the far western region and 13,261 or 3.52% only in the central region. Since cottage and small scale industries are mostly in rural areas, disparity in their number indicates inequality in respect of facilities of rural masses. Small scale industries of the country on the average, employ 2 to 3 persons including 1 unpaid family labour in each giving the number of paid labour in each small scale unit as 1 to 2. The average capital investment in each one of the cottage and small scale units varies from Rs.1000/- to 1100 in the eastern and central regions while Rs.185/- and Rs.350/- in the western and far western region respectively.³⁵

Likely industry as staged above in table above there is disparision of share of investment in the agricultural sector (including irrigation, hydology, land reforms and foresting) as shown in the following table No. 20.

It is appeared from the above table that priority in respect of allocation of development expenditure in the agricultural sector has gone in favour of the central region with the share of investment between 35.19 to 40.18%. It is followed by eastern, western and far western regions but a tendency of increasing the share of expenditure is visible in the western and far western regions.

The benefits of higher irrigation facilities were utilised for growing cash crops like sugarcane, tobacco and potato in the central region, jute and potato in the eastern region, sugarcane and potato in the western region, the categories of each cash crops in the later two regions were less paying in comparison to the categories of cash crops in the former two regions.

The disparity in agricultural area production and yield are more pronounced in the following table :-

TABLE : 21 CULTIVATED AND IRRIGATED AREA AND FOOD GRAINS AND CASH CROPS PRODUCTION IN NEPAL (1974-75)

Particulars	Units	DEVELOPMENT REGIONS				All Nepal
		Eastern	Central	Western	Far Western	
(A) Area '000 Hect.						
Area under cultivation		640.4	771.5	450.0	487.2	2349.1
(B) Irrigated area		63.4	62.2	25.5	33.7	184.8
	'000 MT					
Production food grains		989.7	1307.7	745.2	728.3	3770.9
Cash Crops		203.7	266.8	128.5	75.4	672.6
(C) Production in MT						
Per hect. of cultivated land		1.8	2.0	2.0	1.7	1.9

Source - Deptt. of food and agriculture marketing services HMG

It is high lightened from the above table that eastern region with 640.4 thousand hectares of area under cultivation, produced 989.7 thousand metric tonnes of cereals and 203.7 thousand metric tonnes of cash crops (total 1193.4 thousand M.T) In comparison, the western and far western regions with 450.0 and 487.2 thousand hectares under cultivation produced food grains worth 745.2 and 728.3 thousand metric tonnes and cash crops worth 128.5 and 75.2 thousand metric tonnes (total 873.7 and 803.7 thousand metric tonnes respectively) central region with an area of 771.5 thousand hectare produced cereal grains of 1307.7 thousand metric tonnes and cash crops of 266.8 thousand metric tonnes (total 1574.5 thousand metric tonnes).

Further, the data in table above points out the glaring regional disparity in agricultural productivity of the eastern and central region with almost same irrigated land. The difference in productivity of all crops was about 0.2 metric tonnes. Whereas the western and far western regions with nearly half the irrigated land in comparison to the eastern and central regions have significant productivity. It is interesting to note that despite highest irrigated land (area) (63.4 thousand hectare) the eastern region produced only worth 1.8 metric tonnes per hectare. In comparison, the performance of the western region is far better (2 metric tonnes per hectare with half of irrigated area of both the

eastern and central region) Regional differences in yield per hectare are more pronounced in respect of principal grains like paddy, maize and wheat. It is also evident that despite higher doses of development expenditure on agriculture in terai parts of the eastern and central regions, the depressed levels of production and productivity or yield is raised so far which in turn offers more pertinent questions as to the efficiency of investment, inputs and technology undertaken. (36)

Nepal's uneven regional development which concentrates in the Kathmandu valley and now in the terai regions at the comparative neglect of the hills and mountains regions has its neglect in the political structure of Nepal. It appears that the hill people are not properly represented through the population density of hills is four times as high as that of terai. To quote a Nepali elite, 'Hill communities such as Tamangs, Rais and Limbu are perhaps as poorly represented in the (Nepali) establishment as say Tharus and Sataras of the Terai. For instance an ethnic analysis of government position above under secretary level in 1969 showed that following distribution the three dominant castes (Chhetris, Brahmans, Newars) are 93% the other hills group 2.5% and terai group 3% (in the power structure of Nepal). (37)

CONCLUSION

Viewed from the above study as analysed, it can be safely

safely concluded that regional imbalances by nature, income-expenditure. Inequalities, unequal development expenditure by the government, disparity in infra-structural development, depression in social services, unbalanced industrial growth, uneven agricultural development and maldistribution of peoples representation, i.e. development with disparity are much more evident through out the country. As Rana and Malla paint out, in terms of development expenditure as disproportionately large part of the total investment in the last two decades has gone to Kathmandu and its surrounding areas and to a lesser extent to the eastern terai. This has gone so far that the gulf between Kathmandu valley and the subsistence economics of the hill area of Nepal is growing similar to the gulf between the developed countries and the under developed third world The two decades of development have been the emergence of a privilege stratum which skims the cream of development opportunities and benefits. (38).

Blakie, P and other opine that in many respects Kathmandu is provided with better facilities (schools, colleges, health facilities public works etc.) than any other part of the country. This is term accentuates and reinforces the unequalities that distinguish Kathmandu from the rest of of Nepal. Originally preminent by virtue of its agricultural

richness and its strategic position, the long distance trade routes, Kathmandu has now become the centre of wealth and power in Nepal as a result of the location these of the centres state apparatus and the government, through which the ruling group is able to control the distribution and allocation of such resources as are available to the state in combination with its considerable private resources. In fact, Nepal's dualistic development extends into the countryside.

Thus the concept of centre and periphery can be applied within Nepal referring to, the fact that uneven development is largely maintaining the structure of domination and dependency. Kathmandu valley the developed region stands as the centre where as their terai and specially the hills outside the valley the undeveloped regions is regarded as periphery. Though in terms of small scale industries improvement has been made in the western region and in respect of family planning offices and clinics the far western region dominates.

However, the development programmes of Nepal should be selected and launched in such a manner so that the growth should be widespread and not concentrated to benefit, certain segmented areas or regions and people or educated elite. Moreover, regional disparity by nature of the country can be minimised if development process is produced by ecological studies and careful planning a thing which is conspicuous by its absence in Nepal.

SUMMARY

Despite about three decades of planned development in Nepal, neither the GDP and hence the per capita GDP nor the structure of the economy has witnessed any significant improvement. The per capita GDP has remained stagnant at 1.9% during 1975-80. The structure of GDP of the economy has also not be transformed from excessively dependence on agriculture to industrial dynamism which measures largely the level of country's development. The agriculture alone could not raise the Nepal's growth rate as it is about the same as it was prior to the initiation of the planned development. The performance of both agriculture and industry have fallen short of the target as laid down under different plans. However, little development took place in certain fields (e.g. major transportation net works, communication system, power etc.) which have been made mainly due to external assistance. It is also true to the fact that a large share of public sector outlay under different plans was directed towards the transport and communication. Thus, although the people of Nepal has passed with about three decades of planning, they are not benefited economically. On the contrary the income distribution has become highly skewed causing diffencies of primary needs of human life. Major proportion of Nepalese people live in rural areas, but NPC survey indicates that the average per family and per capita income in rural areas are more than two times lower than in urban areas as shown below :-

<u>Area</u>	<u>Per family income</u>	<u>Per capita income</u>
Rural	Rs. 5,569/-	Rs. 950/-
Urban	Rs. 12,711/-	Rs. 2,094/-

Over the long period of time capital shortage was made the scape goat for the lack of economic development in Nepal. The gap between average savings rate and the average investment rate in Nepal, i.e. resource gap and the trade deficits has been largely bridged through the inflow of foreign aid and external public debt. Domestic savings constitute 9.4% of GDP of the economy of Nepal. In real terms, revenue grow at the rate of 5% per annum during the sixth five year plan period. Again, the revenues are highly dependent on customs (specially customs on import of goods) the indirect taxes (chiefly sales taxes) The tax GDP ratio in Nepal was only at 7.5% during 1975-80 which ranks her 45 among the 47 nations in terms of tax efforts. This failure of resource mobilization by the Government of Nepal is due to structural impediments as the agricultural sector, the main source of GDP, contributes little by way of tax revenue. Thus, to meet the increasing gap between government revenue and expenditure (debetary deficits) the quantum of foreign aid has expended steadily (e.g. Rs.22/- thousand in 1951-52 to Rs.25 hundred million in 1983-84) and external public debt as percent of GDP has increased heavily (e.g. 0.3% in 1970 to 14.1% in 1983).

The over widening budgetary imbalances in Nepal over the years has led to rapid increase in the amount of internal borrowing through banking system and deficit financing. The proportion of internal borrowing was insignificant till the third plan and there was also deficit financing until the third plan. The internal borrowing has increased substantially during the fifth plan (from 8.2% of budgetary deficit in second plan to 19.7% during fifth plan) and deficit financing is estimated at about 4% of the development outlay during the first two years of the fifth plan.

However, the economic development so far experienced in Nepal have not equally spread over to the geographical parts of each development region. The physical setting of Nepal comprises three broad geographic regions and taking advantages of this natural imbalances development over the last thirty years was allowed to be concentrated to more favourable regions and within it is more favourable areas. Kathmandu valley the part of central development regions, however, is the most prosperous regions economically and socially

The small pocket is provided with highest in the number of development projects (in following table) Most of the major towns of Nepal concentrate in Kathmandu valley which is an indication of development of this area, creating centre of wealth and power of Nepal. There are many reasons for this.

Kathmandu is the capital for Nepal and the only city with a large number of population (also highest density having certain basic infra-structure like power, drainage banking etc. Secondly, most of the political elite in Nepal also come from this region.

Thirdly, Kathmandu is better connected with other regions and with outside world by air and road.

TABLE : 21 REGIONAL DISPARITY IN NEPAL AT A GLANCE :

Criteria	Mountains and Hills	Terai and Inner terai	Kathmandu Valley	Nepal
1. Population 1961(%)	58.7	36.4	4.9	100.00
2. Population 1961 (Km 2)	53.0	120.0	815.0	67.00
3. Population increase (1952-54-61)	10.7	14.6	11.9	14.00
4. Land area (%)	73.8	23.8	0.4	100.00
5. Cultivated area 1967-68(%)	31.8	65.3	2.9	12.98
6. Food grain MT	-229,869	+565,825	-	+ 335,983
7. Large scale Industry (%)	-	62.5	37.5	100.00
8. Transport				
a. all weather roads(%) Milage)	45.4	34.4	20.2	100.00
b. No. of airports	2	12	1	15

9. Social service

a. Education
(High school &
College)

150 + 7	124 + 11	74+18	348+46
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b. Health (Health
centre + Hospital)

78 + 18	24 + 25	3+11	97 + 54
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No. of development
projects (1956-70)%

14	28	34	22
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Source : Fourth plan N.P.C. Nepal

The terai and inner terai regions also lead the rest of Nepal. In terms of transportation, large scale industries and social services, this region has got better facilities (from above table). The region has attracted most of the Development Projects in agriculture, foresting and transport. Better transport service/facilities and available of agro-based raw materials attracted more industries which again brought about higher urbanization in this region. The per capita income of this area is higher and population per cultivated (land) area is lower. It is after said that the increasing dominance of the terai is not due to its rich resources alone but also due to the comparative advantage of the terai in the field of development activities. Again, the eastern terai is more developed than the western terai. The far western region is the poorest in many respects of development. Horizontally, the mountains and hills are the most neglected regions.

In fact, the 'analistic development' extends into the country of Nepal. It creates the concepts of 'Centre' (Kathmandu Valley) and 'Periphery' (surrounding areas of Kathmandu including terai and hills). However, in order to reduce the difference between regions, a balanced regional development should be launched and hence the case for regional planning should be approached. Moreover, regional disparity by nature of the country can be minimised if development planning is proceeded by careful ecological studies, a thing which is conspicuous by its absence in Nepal. (39)

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