

Chapter 1

INTRODUCTION

Nepal - the name : Nepal is said to derive its present appellation from the founder of the Nymuni dynasty during the Treta and Dwaper. Legend is that the valley of Baghmati had been blessed by a great saint called "Ne" who practised the sacred and austere rites of meditation at the junction of the Baghmati and Keshwati (now called Vishnumali) in the Nepal Valley. The word "pal" is used in the sense 'brought up'. All records of Hindu antiquity have affirmed to represent the present valley of Nepal as an immense lake which, with the progress of ages, gradually retired between the banks of the Baghmati. The waving or broken nature of the ground which resembles, in a striking degree, the bed of large body of water and the soil consisting, to a considerable depth, of a black, fat 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 Brihu Tantra that Nepal was known by the name 'Satvabati' in the Satya Yuga (Golden Age), 'Tapoban' in the Treta Yuga (Silver Age), 'Muktisonan' in the Dwapar Yuga (Copper Age) and 'Nepal' in the Kali Yuga (Iron Age). In some places Nepal was referred to as 'Kimpurush Desh'. In most ancient

books also the word 'Nepal' was used to represent this country. Mentions were made in Pashupati Puraṇ, Maṇuśhree Mūkalpa, Varaha Puraṇ, Atharva Supplements and Kautilya's Arthashastra (Economics). Kautilya unequivocally used the term 'Nepal' to signify this kingdom.²

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

Location : The small hilly state of Nepal shaped roughly rectangular with an area of 147,181 Sqr. Kms. of territory has been determined by its long history, particularly that of the 19th century. Nepal is situated mostly on the southern slope of Central Himalayas to the north-east of India. In geographical terms, the territory of Nepal may be characterised as a transitional mountain area that separates the arid Tibetan highland from the fertile Gangaic plain. It extends between longitudes 80°15' and 88°10' east and latitudes 26°20' and 30°10' north. Its greatest length measures 822.4 kms., and its breadth averages between 144 to 160 kms., nowhere extending 224 kms. The location of a portion of its territory in the trans-Himalayan area has enabled it to serve as a bridge between the two vast land areas of Asian civilization -- India and China -- which represent two distinct worlds of thought and culture. Though

Nepal is surrounded by China in the north and India in the east, west and south, it is cut off from China by high mountains and though there are sixteen passes that connect the Tibetan range of China with Nepal yet only two passes remain open throughout the year. Nepal is separated from Bangladesh by a narrow strip of about 20 kms. of Indian territory. With India, however, Nepal has open and free border of about 825 kms.

Again, Nepal can not be compared to its giant neighbours (China and India) in size and population. China and India are each more than twenty-times bigger in size and more than forty-times in population (Nepal's total population was 14.1 million in 1981).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 Sri Lanka. The kingdom is smaller than many Indian states.⁴

Nepal is a landlocked country. Only a few countries in the world, e.g., Mongolia, Botswana, Lesotho and Malawi, are as heavily dependent on one country alone for trade and transit facilities as Nepal. As Nepal is completely landlocked : 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 development

during the last century. As Rana, P.S. observes, other landlocked 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 landlocked countries with easy terms of transit. But in Nepal's case even 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 'landlocked'.⁵

Economic condition : Nepal is a poor country and perhaps one of the poorest nations in the world with gross domestic product (GDP) per capita at about SR 100 (in 1980-81). The per capita GDP has remained more or less stagnant (Table 1.1A). During the Sixth Plan period (1980/81-84/85) as the population growth rate was estimated at 2.65 per cent, the per capita income has increased at the rate of 1.7 per cent only (Table 1.1B). In the period 1961-69 per capita food production - a crucial indicator in a country where nearly 95 per cent of the population are dependent on agriculture - attained at best a zero rate of growth.

In 1971 twenty-five countries (of which Nepal and fifteen others are landlocked), including Nepal, were identified

by the United Nations, as the 'least-developed' in the world on the basis of a number of economic and social indicators. These countries in particular were dependent to an exceptional degree on one or two relatively more industrialised neighbours for the conduct of trade and, in addition, traded heavily with these neighbours from a position of substantial balance of trade deficits, as in the case of Nepal with respect to India.⁶

The structure of GDP (Table 1.3), of Nepal's economy has not been transformed from excessive dependence on agriculture (which contributes two-thirds of the GDP and accounts for 80 per cent of the total export) to industrial dynamism which measures largely the level of country's development. The subsistence level of agrarian economy, the absence of industrial tradition, scarcity in natural resources and infra-structure have resulted ⁱⁿ develops the lack of economic inter-dependence and thus ^{have} created 'pocket economics'. Nepal is economically dependent on India as about 60 per cent of all Nepal's development expenditures come from foreign aid and about nine-tenth of her trade is linked with India. Though planned development of Nepal's economy was launched since 1951, the performance of both agriculture and industry have fallen short of the targets as laid down under different plans. No structural changes of the economy has been witnessed. However, the little developments which have taken place in certain fields (e.g. major

transportation net works, communication systems, power etc.) may be attributed mainly to external assistance. It is also true that a large share of public sector outlay under different plans (Table 1.4) was directed toward the transport and communication. Thus, although the people of Nepal have passed through three decades of planning, they are not much benefited. On the contrary, the income distribution has become highly skewed causing deficiencies of primary needs of human life. Majority of the Nepalese people live in the rural areas (90 per cent) and almost 94 per cent of the total labour force depend on agriculture to-day, as it did in the early sixties, but the NPC survey indicates that the average per family and per capita income in the rural areas of Nepal in 1977 were more than two-times lower than in the urban areas as shown below.⁷

<u>Area</u>	<u>For Family income</u>	<u>Per Capita income</u>
Rural	Rs. 5,569	Rs. 950
Urban	Rs. 12,711	Rs. 2,094

The financial resources of Nepal are not properly developed. A considerable part of the Nepalese economy is at a subsistence level without any surplus for exchange. Money thus hardly flows. In the rural areas, agricultural output are exchanged as a barter trade for some basic necessities of life, such as, salt, kerosene and cloth. The available natural and physical resources of the country are not fully exploited. Thus,

net revenue falls short of total expenditure and the government of Nepal has to depend upon the external assistance to meet even the current expenditures necessary to maintain law and order.

Over the long period of time capital shortage was made responsible 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 (in trade sector, the share of exports in the GDP was 5.5 per cent whereas the share of imports in the GDP was 9.7 per cent in 1969-70) had been largely bridged through the inflow of foreign aid and external public debt. Domestic savings constitute 9.4 per cent of the GDP of the economy of Nepal. In real terms (at constant prices of 1979/80), revenue grew at the rate of 5.1 per cent per annum during the Sixth Five Year Plan period. Again, the revenues are highly dependent on customs^{duties}, (specially customs on import of goods) and indirect taxes (chiefly sales taxes). The non-tax revenue lags behind the tax revenue.⁸ The Tax-GDP ratio in Nepal was only at 7.5 per cent during 1975-80 which ranks her 45th 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 large agricultural sector, the main source of GDP, is taxed nominally and thus contributes little by way of tax revenue. So, to meet the increasing gap between government revenue and expenditure

(budgetary deficits, Table 1.5) the quantum of foreign aid has expanded steadily (e.g., Rs. 22 thousand in 1951-52 to Rs. 25 hundred million in 1983-84).⁹ The external public debt, as per cent of GNP, has increased heavily (e.g., 0.3 p.c. in 1970 to 14.1 p.c. in 1983) and debt service ratio has reached 0.3 p.c. of the GNP and 3 p.c. of the exports in 1983.¹⁰

One feature of the internal borrowing in Nepal is that 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 constituted 87.6 per cent, whereas the real borrowing formed only 12.7 per cent of the total internal borrowing held.¹¹ There was no deficit financing until the Third Plan and it was mild in subsequent plans of Nepal.¹²

In an underdeveloped economy, banking system can not be a sophisticated operation. Nepal's Central Bank - 'Nepal Rashtira Bank' began operation in 1965 and upto the beginning of 1966, the Nepal Bank Limited was the only commercial bank. During the last 15 years, with the economic activities gaining momentum, Nepal set up a series of financial institutions such as the 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 had also opened Savings Banks.¹³

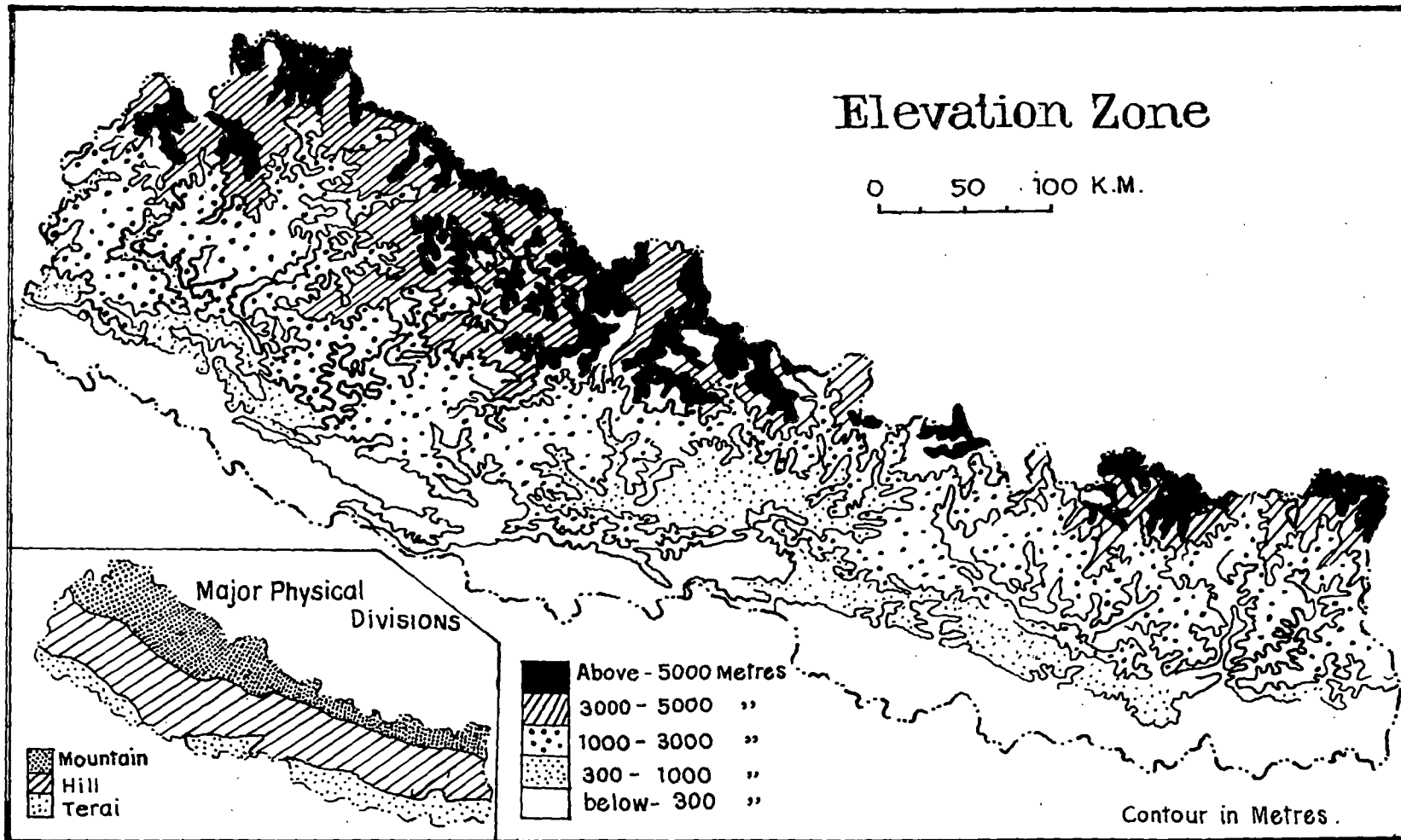
The average percentage change in money supply during the period 1974-75 to 1981-82 is measured to be 14.2 per cent whereas the average percentage change in GDP (at 1974-75 constant prices) is estimated to be only 3.04 per cent showing the average percentage increase in money supply at 11.2 per cent in excess of increase in GDP. The total money supply in Nepal has increased from Rs. 2930.4 million to Rs. 4348.9 million during the period of mid-July 1980-83. The average percentage rate of increase in imports is estimated to be 16.7 per cent for the same period. The Nepal Rashtira Bank's ene calculation shows that every 100 NR added to the money supply creates an additional import demand from India of 40 NR.¹⁴

Nepal's merchandise trade deficits have been more than offset by foreign exchange earnings from tourism and private remittances and from foreign aid. Tourism as a dynamic industry is growing steadily by over 20 per cent annually during the Fifth Plan period of Nepal. Foreign exchange earnings from tourism were the equivalent of 35 per cent of merchandise exports in 1978-79. The number of hotels and hotel rooms has

been increasing to accommodate the increased number of tourists, while maintaining a 50 per cent capacity utilization rate. The tourist industry, however, accounts for only 2 per cent of the GDP and primarily benefits the Kathmandu Valley.¹⁵

"Pocket Economics" : According to the Agricultural Credit Survey Report, 32 out of 75 districts of the Kingdom Nepal are identified as accessible. Of these two-thirds or 20 districts are located in the terai and one-third or 12 districts in the hills. Thus, as many as 43 districts in the hills suffer from inaccessibility and consequently with low levels of development. Of these 38 districts are accessible by air and by less than two days walk, but 5 districts even do not fall under this category. Under such situation, the districts consist of segmented and largely isolated markets and communities. It creates absence of economic interdependence or economic integration, and subsistence marked being neither produced for, nor receiving from others. It thus takes the shape of "pocket economics" - i.e., locked organic linkage of the national economy of Nepal.

The "pocket economics" of Nepal also raises certain problems. As a result of the 'pocket economics' certain parts of the economy, specially the 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 to choose. 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', 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', the 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 the hills and terai has thus created pockets of poverty throughout the kingdom.¹⁶

Regional Disparity : One important dimension to the development problem in Nepal is the market disparity between different regions - between the vertically divided Development Regions - Eastern, Central, Western and Far Western or between the horizontally divided Natural Regions - Mountains, Hills and Terai. Human activities and natural resources of Nepal at any given stage of development are maldistributed which are in effect responsible for creating regional disparity and inequality in all economic spheres.

The country, which is characterised by extreme topographical contrasts, includes three distinct regions. The

mountain in the north region of Nepal occupies 34.4 per cent of the total area exceeding 3,000 metres in altitudes with rugged and barren landscape (with more than 50 peaks out of which 12.6 per cent area is mostly covered by snow). The cultivated land area in the region thus becomes as small as 3 per cent and sparsely populated containing 5-7 per cent of the total population.

The terai plain in the south, along the Indian border covered 21.4 per cent of the total area of the country. It is mostly flat with a greatly sloping plain-terrain and known as the 'grain-basket' or 'rice-bowl' of Nepal. The cultivated land area in the region is as high as 70 per cent with about 30 per cent of the total population. The terai's contribution to the nation's agricultural product is approximately 55 per cent.

Between the mountains and the terai lies the hill region, which spreads over 44.2 per cent of the total area with altitude varying from 900 to 3,000 metres. The region comprises of agricultural land and best pastures with cultivated land area of nearly 25 per cent containing densely populated area (60 per cent of the total population) and in this region about 35 per cent of agricultural production takes place. The hill region accommodates the Kathmandu Valley, the administrative and commercial centre of Nepal.¹⁷

Out of the country's total area agriculture covers 18 per cent, forest 37.6 per cent, mountain region 15.3 per cent, pasture 13.3 per cent, water areas 2.7 per cent, uncultivated and steep land 12.3 per cent and settlement and roads 0.7 per cent.¹⁸

However, the fruits of economic development, so far experienced in Nepal, have not been equally shared in all areas of ^{the country.} Kathmandu valley - the part the Central Development Region, however, is the most prosperous region economically and socially. This small pocket is provided with highest in the number of development projects (Table 1.6). Most of the major towns of Nepal are concentrated in Kathmandu Valley. As Rana and Malla point out, '..... in terms of development expenditure, a 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 areas of Nepal is growing similar to the gulf between the developed countries and the underdeveloped third world The two decades of development have seen the emergence of a privileged stratum, which skims the cream of development opportunities and benefits'.¹⁹

Blaikie, P. and others point out that in many respects Kathmandu was provided with better facilities (in terms of schools, colleges, health facilities, public works, etc.) than

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any other parts of the country. This in turn accentuated and reinforced the inequalities that distinguished Kathmandu from the rest of Nepal.²⁰ There are other reasons also. Kathmandu is the capital of 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 the other regions and with outside world by air and road.

The terai and inner terai regions come next in terms of development. In the field of transportation, large-scale industries and social services, this region has got better facilities (Table 1.6). The region has attracted most of the development projects in agriculture, forestry and transport. The per capita income of this area is higher and population per cultivated area is lower than the rest of Nepal. It is often 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. The mountains and hills are the most neglected regions.²¹

Nepal's uneven regional development which concentrates in the Kathmandu valley and now in the terai region at the

comparative neglect of the mountains and hills has its reflection in its political structure of Nepal. To quote a Nepali writer, 'Hill communities such as Tamangs, Rais and Limbus are perhaps as poorly represented in the (Nepali) establishment as say Tharus and Sataras of the terai. For instance, an ethnic analysis of government positions above Under Secretary level in 1969 showed the following distribution : the three dominant castes (Chhetris, Brahmans, Newars) are 93 per cent, the other hill groups 2.5 per cent and the terai groups 3 per cent (in the power structure of Nepal).²²

In fact, Nepal's 'dualistic development' extends into the countryside. Thus, the concepts of 'Centre' and 'periphery' may be applied within Nepal referring to the fact that uneven development maintains the structure of domination and dependency. Kathmandu Valley - the developed region stands as the 'Centre' whereas the terai and specially the hills outside the valley - the undeveloped region is regarded as the 'periphery'.²³

Importance of the Terai in the Nepalese Economy and Problems

of People with Indian Origin : The terai has crucial role in maintaining the viability of the Nepalese economy as a whole. As Gaige estimates, in the fiscal year of 1965/66, the Nepalese government earned 81 per cent of the total income from domestically

generated revenue of the terai came from four major sources : taxes on timber operations (85 p.c.), excise or individual taxes (93 p.c.), land taxes (75 p.c.) and custom duties (70 p.c.). Terai's contribution to the nation's agricultural product is approximately 55 per cent. According to him, over 70 per cent of industrial production takes place in the terai and some 65 per cent of all other economic activities contributing to the G.D.P. According to B.P. Shrestha, 88 per cent of Nepal's industrial investment is in the terai, as is nearly 100 per cent of nation's industrial labour force. Out of 28 largest public companies, 17 are located in the terai and roughly 72 per cent of Nepal's smaller industries are located in these areas.

The agricultural surplus (particularly the rice surplus) of the terai not only provides the supply of grains in the food-deficit hill regions, but also exports large amounts to India. In 1965 an estimated 3,49,000 metric tons of rice were exported from the Nepalese terai to India, making Nepal the fifth largest rice-exporter in the world that year. As the Nepalese government levies duties on the export of agricultural commodities, as well as on imported goods, and also on the processing of 'industrial crops', (as the terai produces exportable surplus of jute, tobacco, mustard oil-seeds, sugarcane, herbs, spices, timber, hides, etc.) the terai contributes very significantly to government income. The terai also gives revenue to the government of Nepal from the export of timber as

a very substantial area of the terai is under valuable forest. The state revenues are now shifting from taxes on timber operations to taxes on cultivated land as there occurs replacement of small farms by the elimination of the forests due to settlement by immigrants both from the Nepalese hills and from the densely populated Indian provinces across the border.²⁴

Until 1961 the terai was occupied almost exclusively by the people of plains (i.e. Indians). Terai population constitutes about 30 per cent of the total population and about two-thirds of the terai population included speakers of plain, i.e., Bhojpuri, Maithili and Awadhi, all Indian languages spoken in the neighbouring districts of Uttarpradesh and Bihar. Only little more than 10 per cent of the terai population spoke hill languages, such as Newari or Nepali, as their mother tongue.²⁵ But few of the plains people in the terai can be found in the power structure of Nepal. Few are recruited into the army or into the administration and not many are in the national panchayat or in the cabinet. In contrast, the hill people who are settled in the terai are much more integrated in the power structure.²⁶

Relation with India - A Brief Note : Nepal is one of the important and closest neighbours of India. The relation of Nepal with India can be traced from the Epic Age. Nehru, on March 17,

1950, called Nepal 'almost geographically a part of India, though an independent nation'.

Many ruling dynasties of Nepal like Mauryas, Lichhavis, Thakuris, Karnataks, Mallas, Shahas were immigrants from the plains of India. These immigrants though once became the head of administration, never made Nepal a domain of India. They found here secluded peace and some channels for trade and commerce. King Mahendra Malla is said to have visited the Mughals Court and since then the Nepalese language and culture were greatly influenced by the Persians, Arabic and Urdu languages and cultures. Nepal had relation with the British India. The relation with the British was based on a Treaty of 1816. This treaty dealt with various aspects of Nepal's trade with India and recruitment of Gorkha soldiers. Since India's independence in 1947, the relation of Nepal with India continued to be based on certain treaties (e.g., 1950, 1960, 1971, 1978 and 1983).

Since 1950 the relationship between India and Nepal has been based on two treaties : (1) the Treaty of Peace and Friendship, (2) the Treaty of Trade and Commerce - by which each government agreed to acknowledge and respect sovereignty, territorial integrity and independence of the other, to continue

diplomatic relations with the other, and, on matters pertaining to industrial and economic development, to grant rights equal to those of its own citizens to the nationals of the other residing in its territories. In the Treaty of Trade and Commerce, India recognised Nepal's right to import and export commodities through Indian territory and ports, customs were not levied on goods while in transit through India. Both treaties reflected India's desire for a friendly and stable government in Nepal.²⁷

India and Nepal are bound by unbreakable ties of geography, culture and traditions and have vital interest in each other's well-being, independence and integrity. Indo-Nepalese relations have continued to be friendly and cordial most of the time for over three decades. Nepal has expressed gratitude for the keen interest shown by the government of India extending the economic and technical assistance and co-operation to Nepal in its modernization and national development.²⁸ Thus, history and geography both have shaped close relationship between India and Nepal.

OBJECTIVE OF THE THESIS

Nepal is one of the important and closest neighbours of India. It is generally described as 'India's Northern Gateway'. Nepal served as a link area through its overland routes crossing the Himalayas. The economic relations between Nepal and India is as old as civilization itself. Nepal's attempt of 'modernisation' and self-sufficiency started from the decade of fifty. It is a typical example of a small country like Nepal seeking to modernise its economy with the help of another developing country - India. There is hardly a sphere of economic activity of Nepal in which Indian economic assistance has not penetrated. Nepal attempts to reduce its heavy dependence upon India and ^{has} to diversify its trade and economic flows. Thus, some changes in income-distribution and composition and direction of foreign trade of Nepal have been found. It is in this context the traditional relationship between Nepal and India underwent a change in last 30 years. Further, to deal with the economic relationship between Nepal and India certain basic issues relating to policy aspects of aid and economic co-operation, role of private investments and industrial collaboration (since Nepal's industry is tiny), and assessment of currency and exchange relations have been studied. The primary objective of the thesis is to examine the economic relationships of the two developing countries, and to understand

changes in the Indo-Nepalese economic relations including various impediments.

With this background, the Chapters of the thesis have been arranged in the following manner.

In the Chapter 2, we have discussed the socio-economic composition of population of Nepal. One of the growing demographic problems is a population movement in and out of Nepal. Immigrants and emigrants both contributed regional population size and indicates push and pull factors among the regions. In case of population growth the Indo-Nepal relation is a very important factor, mainly because India acted as a "safety-valve" for Nepal's 'excess population'.

In the Chapter 3, we have highlighted in general outline the nature of industrialisation of Nepal. Nepal has to go a long way in respect to industrial development. The industrial sector of Nepal is primarily an extension of agricultural sector and consists mainly of small-scale and cottage industries.

In the background of Chapter 3, in the Chapter 4, we have analysed India's role in Nepal's industrialisation. In this respect we have studied the nature and contribution of Indian private investment in Nepal. Recently, however, joint ventures are gradually gaining momentum in Nepal.

In the Chapter 5, we have shown that Nepal is heavily dependent on foreign aid for economic development. India's assistance to Nepal can broadly be divided into two heads : namely, "supportive assistance" and "development assistance". In the appendix, we have studied indepth the nature of certain India-aided 'Mutual Benefit Projects'.

In the Chapter 6, we have elaborated to analyse the efficiency of Indian aid and also made a comparative estimate of the aid programme of different countries to Nepal. Nepal has diversified the sources of aid. This has created some economic problems both for Nepal and India.

In the Chapter 7, we have studied the pattern of Indo-Nepalese trade. The Indo-Nepalese trade has undergone some structural change in Nepal. Nepal is keen to diversify its trade and consequently the composition and direction of Nepal's trade underwent several changes in the last three decades.

In the Chapter 8, we have further studied the import and export composition of Nepalese trade with respect to India in recent years. Problems of Nepal's deficit in balance of trade has been discussed. Trade deficit of Nepal is a great concern for India because of the fact that such gap is bilateral, if not checked well in time, may affect trade between Nepal and

India. The nature of movement of terms of trade of Nepal with India has also been highlighted in the appendix of the Chapter. This study shows that the terms of trade of Nepal has improved and deteriorated depending upon the tempo of development in Nepal. A note on foreign trade multiplier has been given here. In the appendix of the Chapter we have also discussed some aspects of smuggling across Indo-Nepal border.

In the Chapter 9, we have studied the nature of Nepalese currency and exchange rates between Nepal and India. This currency and exchange relationship had undergone several changes due to the policy of trade diversification of Nepal. It has been shown that exchange rate relation between the two countries is extremely complex.

In the Chapter 10, we have given the summary of the major findings and conclusion of the thesis.

Table 1.1A

Growth of GDP and Per Capita GDP(1964-84) at 1974/75 prices of Nepal.

Year	GDP (in million Rs)	Growth Rate (in percentages)	Per Capita GDP(Rs.)	Population (in Million)
1964-65	13323	-	1331.0	10.01
1965-66	14268	7.1	1396.1	10.22
1966-67	14036	-1.6	1345.7	10.43
1967-68	14135	0.7	1328.5	10.64
1968-69	14765	4.5	1359.6	10.86
1969-70	15146	2.5	1365.7	11.09
1970-71	14964	-1.2	1321.9	11.32
1971-72	15428	3.1	1334.6	11.56
1972-73	15361	-0.4	1300.7	11.81
1973-74	16339	6.4	1354.8	12.06
1974-75	16571	1.4	1345.0	12.32
1975-76	17300	4.4	1374.1	12.59
1976-77	17822	3.0	1385.8	12.86
1977-78	18211	2.2	1385.9	13.14
1978-79	19708	8.2	1468.6	13.42
1979-80	18110	8.1	1320.9	13.71
1980-81	20158	11.3	1342.0	15.02
1981-82	20926	3.8	1363.2	15.35
1982-83	20642	-1.3	1315.6	15.69
1983-84	21075	2.1	1314.7	16.03

Source : C.B.S., Nepal.

Table 1.1BEconomic Growth Rate of Nepal (Annual change in Percentage)

	Agricultural Sector	Non-agricultural Sector	GDP	Per Capita income
Targets of the Sixth Plan (1980-85)	3.2	5.6	4.3	2.0
Achievements	4.7	4.0	4.4	1.7
1980-81	10.4	5.4	8.3	5.6
1981-82	3.5	4.2	3.8	1.1
1982-83	- 2.5	0.4	- 1.4	3.8
1983-84	8.7	5.5	7.4	4.1
1984-85	3.6	4.5	5.5	1.5

Source : N.P.C., Nepal.

Table 1.2Annual Average Growth Rate of Nepal and other Low Income Countries.

Year	Nepal	Afghanistan	Bangladesh	Burma	India	Pakistan	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

Source : World Development Report, 1980, N.P.C., Nepal.

Table 1.3

Composition of GDP in Nepal by sectoral origin
(at current prices)

Sector (in per cent)	1964-65	1969-70	1974-75	1979-80	1984-85
1. Agriculture	68.0	69.1	69.7	58.6	52.4
2. Non-agriculture	32.0	30.9	30.3	41.4	47.6
(a) Mining	0.0	1.1	0.0	0.18	N.A.
(b) Manufacturing	1.3	2.0	2.8	2.65	N.A.
(c) Construction	2.0	1.8	1.0	6.72	N.A.
(d) Transport and communication	1.5	2.0	2.7	6.60	N.A.
(e) Cottage industries	6.7	7.0	7.0	1.36	N.A.
(f) Financial institutions	1.1	1.3	1.9	7.85	N.A.
(g) Ownership and dwellings	10.4	7.4	4.9	0.44	N.A.
(h) Public administration and Defence	1.3	1.8	2.0	5.19	N.A.
(i) Electricity	0.1	0.2	0.2	0.26	N.A.
(j) Wholesale and retail trade	4.9	3.7	4.4	3.37	N.A.
(k) Services and others	2.7	2.6	3.3	6.78	N.A.

N.A. : Not Available

Source : C.B.S., N.P.C., Nepal.

Table 1.4Allocation of Public Sector Outlay in Nepal (Rs. in million)

Sector	Third Plan	Fourth Plan	Fifth Plan
1. Transport and communications.	873 (49)	1050 (41)	1869 (28)
2. Agriculture and rural development	397 (22)	662 (26)	2003 (30)
3. Industry and power	96 (5)	470 (18)	1335 (20)
4. Social Services	239 (13)	352 (15)	1467 (22)
5. Unallotted	205 (11)	14 (1)	-
Total	1779 (100)	2548 (100)	6674 (100)

Figures in the brackets indicate percentages.

Source : N.P.C., Nepal.

Table 1.5Overall Budgetary Position of Nepal (Rs. in million)

Item	1979/80	1980/81	1981/82	1982/83 Estimate
EXPENDITURE	3470.7	4092.3	5361.3	9187.2
Regular	1162.1	1361.2	1634.4	2228.4
Development	2308.6	2731.1	3726.9	6958.8
RECEIPTS	2685.6	3288.1	3672.8	5650.8
Revenue	1880.0	2419.2	2679.5	4042.5
Foreign grants	805.6	868.9	993.3	1608.3
OVERALL SURPLUS (+) or DEFICIT(-)	- 785.1	- 803.2	- 1688.8	-3536.4
SOURCE OF FINANCING DEFICIT				
Foreign loan	534.9	693.3	566.7	2019.7
Reimbursement	-	-	163.2	-
Internal loan	180.0	250.0	500.0	1000.0
Cash balance surplus	70.2	- 139.1	458.6	516.7

Source : C.B.S., Nepal.

Table 1.6

Regional Disparity in Nepal at a glance

Criteria	Mountain and hills	Terai and Inner Terai	Kathmandu Valley	All Nepal
1. Population, 1961 (per cent)	58.7	36.4	4.9	100.00
2. Population Density 1961 (Km ²)	53	120	315	67
3. Population Increase, 1952/54-61 (Per cent)	10.7	14.6	11.9	14
4. Land area, 1967/68 (Percentage)	73.8	23.8	0.4	100.00
5. Cultivated area, 1967/68 (Percentage)	31.8	65.3	2.9	12.98
6. Food grain (-) 229,869 (+) 565,825 (Metric tons)			-	(+) 335,983
7. Large-scale Industry (Percentage)	-	62.5	37.5	100.00
8. Transport				
(a) All weather roads (Percentage mileage)	45.4	34.4	20.2	100.00
(b) No. of airports	2	12	1	15
9. Social services				
(a) Education (High School + College)	150+7	124+11	74+18	348+46
(b) Health (Health Centre + Hospital)	70+18	24+25	3+11	97+54
10. No. of Development Projects, 1956-70 (Percentage)	14	28	34	22

Source : Fourth Plan, N.P.C., Nepal.

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