

## INTRODUCTION

### Location and Area

Situated in the southern slopes of the Himalayas Nepal is a small landlocked country. It is located between 26° 22' and 30° 27' North latitude and 80° 4' and 88° 12' East, longitude. Shaped almost as a rectangle, it borders with People's Republic of China in the North and India in the South, East and West. It covers an approximate area of 147, 181 square kilometers. It has an average length (east-west) of 885 kilometers. The North South, width is not uniform; At its widest, it is about 241 km wide, while it is only 145 km at its least.

### Physical Features

The country is characterized by three distinct geographical regions, running east to west. They are: i) The Mountains ii) the Hills, and iii) the Terai (plains). The Mountain areas range in altitude from 4877 meters to 8839 meters above sea level with the snow line running at 4877 meters. This region includes some of the world's famous peaks including Sagarmatha or Mount Everest (8848 m.), the world's highest. With sparse human habitation, most of the areas in this region have a wild and forbidding landscape.

The Hill areas lie mostly between 610 meters and 4877 meters in altitude and include Kathmandu valley, where the capital city Kathmandu is situated. This region also includes many other fertile longitudinal valleys of the principal rivers. This broad hill complex region is extensively cultivated and has been the traditional areas of Nepalese settlement, since long back in history.

In complete contrast to the rugged topography of the Mountains and Hills, the

Terai (plains) region of Nepal, which is an extension of the Gangetic plains of India, forms a low flat land belt and includes most of the fertile land and dense forest areas of the country. The Mountains and Hills, together comprise almost 83 per cent of the total area of the country and contained 56 per cent of the total population in 1981. The Terai region which comprises 17 percent of the total area of the country contains 44 per cent of the total Population.

### Climate and Rainfall

The climate of the country varies from region to region. Summer and late spring temperatures range from more than 40°C in the Terai to about 28°C in the mid section of the country. In winter, average maximum and minimum temperature in the Terai vary from 23°C to 7°C while the central valleys experience average maximum temperatures of 12°C and minimum temperature below the freezing point. At higher elevations, much colder temperatures prevail. Kathmandu valley situated at an altitude of 1300 meters has very pleasant and equable climate with average summer and winter temperatures of 27°C to 19° C and 20°C to 2°C respectively.

The mean annual precipitation ranges from more than 600 mm along the southern slopes of the Annapurna range in the central Nepal to less than 250 mm in the north central portion near the Tibetan plateau. Varying amounts between 1500 mm and 25 mm predominate over most of the country. On an average about 80 per cent of the precipitation is confined to the monsoon period (June - September)

## Historical Sketch

Prior to the unification of the country by King Prithivi Narayan Shah in the later half of the 18th century, the history of Nepal is more or less, the history of Kathmandu valley; and, the history of the valley prior to the 5th century A. D. is very much obfuscated in various myths and legends. When written records begin to be available in the 5th century A. D., we find the *Lichhivis* well settled in the valley. Before the *Lichhivi* rule in the valley, the *Kiratis* were ruling it, and, before the *Kiratis*, it is reported that the valley in its horay past was once being ruled by the *Abhiras*. Much of these accounts as has been alluded above, consist of various myths and legends rather than any reliable historical data. They nevertheless point to the fact that though the history of Nepal as a modern nation is of recent past, the history of its people go far back in ancient time.

What is perhaps more interesting from the point of view of the history of the people of Nepal is that it received and assimilated a continuous wave of immigrants from the North, South and West during successive centuries. A large influx of Hindus during all of those early periods, particularly during the *Moghul* invasion of India, gave to the country, during the formative period in its history a distinct character as a Hindu society which has endured and flourished over the centuries.

Indian influence was at its peak during the *Kushan* and the *Gupta* periods in India. During the *Gupta* period, a monarchical system of Government was established in the valley. *Sanskrit* came to be used as the court language. The widespread acceptance and spread of Hinduism did not preclude the adherence of a sizable number of people to Buddhism. Many interminglings of religious practices between the two religions has created in Nepal an unique fusion of the two; and, the label Hindu

or Buddhist is only indicative of the slight differences in the way of life of the people rather than any remarkable differences in their faiths.

After the *Lichhive* period, another important era in Nepalese history is the *Malla* period. The Mallas established their dynasty in Nepal in the 13th century A. D. During this period of *Malla* rule, the *Newari* culture flourished. Notable among the *Malla* kings was king Jayasthiti Malla who introduced many socio-legal reforms for the development of the Nepalese society. After the death of king Yaksha Malla, the last ruler of unified Malla Kingdom, the Kingdom was divided among his descendants. It soon fell into a state of anarchy paving the way for its eventual unification by King Prithivi Narayan Shah of Gorkha.

After his accession to the throne of Gorkha kingdom in 1742 A. D., King Prithivi Narayan Shah, who is the acknowledged architect of modern Nepal, realized at an early age of the need for the unification of the various warring principalities generally known as the *Baise* and *Chaubise* states west of Kathmandu valley and the valley proper into a viable Himalayan Kingdom. His dream of unification came true when in a series of conquests and campaigns ending in 1767 A. D., he was ruling over territories which more or less constitute the boundaries of present day Nepal. King Prithivi Narayan Shah not only laid the foundation of a viable modern state of Nepal but also preserved it from its earliest days from the influence of the foreign powers. He prohibited the entry of British traders to Kathmandu and resisted all attempts by the British to establish trade relations with Tibet.

The other central figure in the History of Nepal during those vital years (1786-94) when the country was involved in its expansionist campaigns and conquests of the neighbouring territories was Bahadur Shah,

younger son of king Prithivi Narayan Shah. Bahadur Shah acting as a Regent on behalf of his nephew, the child-king Rana Bahadur Shah, had conquered and annexed several territories and expanded the area of Nepal quite considerably than what was left by his illustrious father king Prithivi Narayan Shah. His nephew, king Rana Bahadur Shah who took over the power in 1796 also followed his uncle's policy of expanding the territory of the country even more vigorously. This expansionist policy also followed by Prime Minister Bhimsen Thapa brought him into conflict with British India and finally to the Anglo-Nepalese War of 1814-1816 culminating in the treaty of *Sugauli* of March 1816.

With the emergence of Janga Bahadur Rana in 1846 begins another crucial chapter in the History of Nepal. After becoming successful in the various intrigues and feuds between the various factions of the countries, Janga Bahadur Rana established himself as the most powerful Prime Minister and a *de facto* ruler of the country and made the Prime Ministership hereditary. Janga Bahadur aligned himself with the British rule in India and followed an isolationist policy. The country remained completely isolated and cut-off from the rest of the world for more than a century. The *Rana* oligarchy felt secured as long as the British rulers remained in India.

The independence movement that swept India also influenced many Nepalese then studying in India. Underground political parties were active in educating people of their political rights and inciting them against the *Rana* rule. Taking advantage of this popular upsurge against the Ranas, king Tribhuvan, challenged the power of the Ranas in November 1950 by refusing to sign the death warrants of the alleged plotters to overthrow the regime and took political asylum in the Indian Embassy in Kathmandu. The people, with the support of the king,

launched armed struggle against the Ranas and finally overthrew the repressive regime in 1951. And thereafter the multi-party democracy was introduced in the country. The experiment with the Western system of party government was not very successful. So the late king Mahendra introduced a unique system of partyless Panchayat democracy in 1961 which was later on endorsed by the people in a referendum so graciously granted by His Majesty King Birendra in 1980.

### **The People**

Nepal's population of about 16 million is ethnically complex, ranging in physical type and culture from the Indians in the south to the Tibetans in the north. There are 75 ethnic groups of people, speaking fifty different languages. However, historical origin and continued linguistic and cultural connections make it possible to classify most ethnic groups into two broad categories : the *Indo-Aryans or Indo-Nepalese*, and *Tibeto-Mongoloids or Tibeto-Nepalese*.

The *Indo-Aryans or Indo-Nepalese* came to Nepal from India over 3,500 years ago and inhabited the plains and low altitude hills. In recent history, the Hindus of the Indian plains migrated into Nepal as refugees during the period of the Muslim conquest and found shelter and security in the rugged and secluded terrain of west Nepal. The *Indo-Nepalese* group constitutes nearly 80 per cent of the total population and includes the *Parbatias or Pharis*, the *Newars* and the *Tharus*, and have now assimilated a large section of the Mongoloid subfamily in their culture and religion. Although found throughout the country, the bulk of the *Indo-Nepalese* population is located in the Terai and in Kathmandu valley.

Historically, the people of *Tibeto-Mongoloid* origin came to Nepal across the Himalayan passes from the north and they inhabited the Himalayan valley and slopes. The principal Tibeto-Nepalese groups are the *Tamangs*;

*Rais, Limbus, Bhote and Sherpas* who inhabit most of the north and eastern parts of the country, and the *Magars* and *Gurungs* who live in west central Nepal. The *Rais, Limbus, Gurungs* and *Tamangs* are very martial races and make up the well-known troops of the *Gurkhas*.

There are also small sections of population of *Austriac* and *Dravidan origin* who are believed to be the aboriginal people of the country. There are many nomadic tribes in the hills and the Terai who have now settled down to agriculture as their main occupation.

Nepali is the official language and the major *lingua franca* in educational institutions of the country. The Nepali speakers constituted 58 percent of the population. It is followed by *Maithili (11%), Bhojpuri (8% Tamangs (4 %), Tharu (4 %) and Newari(3%)*. The remaining 12 percent of the population speak various other languages/dialects (CBS, 1985)<sup>1</sup>.

Nepal is the only Hindu Kingdom in the world and Hinduism is the state religion. The overwhelming majority of the population has been and continues to be Hindu. They accounted for nearly 90 per cent of the population in 1981. Although many members of the *Tibeto-Nepalese* group, especially among the *Gurungs, Magars, and Rais* have adopted Hindu religious beliefs and practices, these people remain basically Buddhist. Buddhist, the second largest religious group accounted for 5 per cent of the population in 1981. Muslim formed third largest religious group accounting for 3 per cent of the population in 1981. Jain, Christian and others account for the remaining 2 per cent of the population in 1981 (CBS, 1985)<sup>2</sup>.

---

1. Central Bureau of Statistics, 1985. *Intercensal Changer of Some Key Census Variables* Nepal, 952/54-81, Vol. I and Vol. II, Kathmandu.

2. *ibid*.

## Administrative Structure

Before the advent of democratic government, particularly before the introduction of the *Panchayat* system, administration during the *Rana* regime was highly centralized and feudal in nature. Even after the overthrow of the *Ranas* in 1951, the centralized system persisted for quite some time. It was only after the introduction of the *Panchayat* system in 1961, the whole country was organized into a four-tiered system of Panchayats with the basic idea of decentralizing the administrative and decision making authorities to the grass root level in a structured manner.

At the base of the Panchayat system are the Village Panchayat or the Town Panchayat. There are at present 4022 such Village Panchayats in the country, 29 Town Panchayats<sup>3</sup>, 75 District Panchayats and National Panchayat at the apex. The members and chairmen of Village/Town Panchayats are elected through adult franchise.\* The district Panchayat consists of elected representatives drawn from Village and Town Panchayat. The Village and Town Panchayats are given the authority to levy taxes to undertake their own development projects. With the enactment of the Decentralization Act 2039 (1982), the Village/Town Panchayat and the District Panchayats are given clear cut responsibilities and adequate authorities to formulate, implement and supervise village/town and district development plans to synchronise with the Five Year Development Plans of the country. The National Panchayat, i.e. Rastriya Panchayat is a unicameral legislature consisting of 140 members, of whom 112 are elected by the people through adult franchise\* while the other 28 members are nominated by

---

3. The Government has recently increased the number of Town Panchayats from 29 to 33. Consequently, the number of Village Panchayat decreased to 4015.

\* A person aged 21 year or older is entitled to vote .

His Majesty the King from among the leading public citizens.

The country at present is divided administratively into 5 development regions, 14 zones and 75 districts. The district administration is headed by a Chief District *Officer* (CDO). He is mainly responsible for maintaining law and order in his district and coordinates the works of field agencies of different ministries. Similarly, in each of the 75 districts of the country, a Local Development Officer (LDO) is posted by the Ministry of Panchayat and Local Development to help, supervise and co-ordinate the development plans and projects of the various Panchayats and class organizations. Under the recent decentralization act the District Panchayat is the main body responsible for district development planning. LDO is the member secretary of the district Panchayat. Each zone is headed by a zonal commissioner who coordinates the activities of CDOs and LDOs of the districts under his jurisdiction and also ensures co-ordination between districts and supervises the developmental activities of the zone.

### **Resources**

Nepal is rich in mineral resources. Although full exploration of the hidden mineral resources of the country is yet to be undertaken, preliminary investigation suggests that there are a number of varieties of economically useful mineral resources in the country. Geologically possible occurrence of non-metallic minerals including coal and fossil oil have been identified. Mica has been found in significant quantities east of Kathmandu. Other minerals such as lignite, copper, nickel, cobalt, lead, graphite and iron ore have also been found. Marbles and talc have been brought under sizeable commercial uses. Nepal is also known in the world for possessing abundant water resources as she shares nearly 2.27 percent of the world's total estimated hydro-power

potentiality (Dharmadasani,1984)<sup>4</sup>. There are altogether 6,000 rivers falling under nine main rivers. Mountainous topography has helped these rivers to resume strong current. These rivers altogether amount to a theoretical hydro-power potentiality of 83,000 M.W. of which only a tiny fraction (estimated to be round 0.12%) has been utilized at present (Dharmadasani,1984)<sup>5</sup>. The total installed electricity generating capacity was only 172 M.W. in mid 1985. Even though the country has huge deposits of mineral resources and great potential of hydro-power, full utilization of these resources is constrained by many factors such as lack of capital, shortage of trained manpower (i.e. technical know how) and difficulties in communication.

Forest which occupies 38 per cent of the land area of Nepal<sup>6</sup> is another important potential natural resource of the country. Of the total forest area, only 34 per cent is reported to have commercial value in the Hills compared to 75 per cent in the Terai which has semi tropical climate<sup>7</sup>. But the increasing deforestation resulting from bringing more land under cultivation to meet food need of the growing population, resettlement of the migrant families from the Mountain and Hill, has seriously eroded the potentiality of forest as a major resource base of the country. However, to avoid further depletion of forest resources of the country, government has taken afforestation plans. A total of 71 thousand 841 hectares of land was brought under tree plantation till the fiscal year 2042/43 (1985/86) which provides an annual planting rates estimated between 2,500 to

---

4. Dharmadasani, M. 1984. Political Economy of Foreign Aid in the third world : A case study of Nepal. Varanasi : Shalimar Publishing house.

5. *Ibid.*

6. Central Bureau of Statistics, 1986. *Statistical Pocket Book*, Kathmandu.

7. Dharmadasani. M. op. cit. p. 4.

5,000 hac. over the last two decades<sup>8</sup>. But this is inadequate relative to the scale of current environment degradation and the country's long term requirements. A forecast of future fuel demand in the 1983 UNDP World Bank energy sector report calls for the annual planting rate to reach 50,000 hac. by 1990 and an average of 100,000 hac. during the 1990s.

The Government recognizes the magnitude of the problem and has recently undertaken massive afforestation plans which, among other things, lays greater emphasis on community involvement in forestry development, under which Panchayat protected forests have been established. According to this plan, ten million seedlings were distributed during the Sixth Five Year (1980-85) while 3.9 million were distributed in the first year of the Seventh Five Year Plan (1985-90).

### Communication

Transport and communications are essential ingredients for economic development of a country and its importance can hardly be over emphasized in the context of a land locked country like Nepal. Road is the principal mode of transport in Nepal though it is far from adequate. Road building is difficult task in Nepal because of its topography. The total road length in mid 1984 was only 5,717 kilometers of which nearly 40 per cent are earthed<sup>10</sup> Of the total road length, highway accounts only 35 percent while feeder, district and city roads account for 32.93 per cent, 19.13 per cent and 13.29 per cent respectively<sup>11</sup>. The feeder and district roads are

of the sub-standard. A large number of villages lack road links with market towns and with one another, particularly in the economically backward Mountain region.

Travel by air is increasingly becomingly and important means of transport, especially to the remote and inaccessible districts of the Mountain. There were 43 air fields in 1986 (2043) of which 23 or 53 per cent are all-weather<sup>12</sup>. The scheduled flights are operated to thirty nine places in the kingdom and charter flights are available for two other mountain stations. Air links have also been established with ten places in nine countries. Railways and ropeways as means of transportation are also used but are limited. There are only two narrow gauge railways systems covering only 52 kilometers in 1983/84. Ropeways or sky cables, an important means of transport, particularly in the Mountain, covers only 42 kilometers. Ropeways is also used in carrying goods. Nearly 12,000 tons of goods were transported using ropeway in 1983/84<sup>13</sup>.

The postal and telecommunications services improved significantly during the last two decades but are still far from adequate. While the number of Post offices increased from about 1,526, in 1981/82 to 1,868 in 1984/85,<sup>14</sup> there are villages without Post Office and only few areas receive a daily delivery of mail. The principal cities are linked by air mail services. The number of telephone exchanges increased from merely one in 1967 to 23 in 1986. During the same period, telephone lines have increased from 3 hundred to over 28 thousand and number of wireless stations increased from twenty eight to eighty five<sup>15</sup>. Also, the link between Nepal with the outside

8. Gorkhapatra Sansthan. *Rising Nepal*, November 13, 1986.

9. *Report of the Joint (JNDP World Bank Energy Sector Programme, 1985. Nepal: Issues and Opportunities in the Energy Sector.*

10. CBS. 1986. *Statistical Pocket Book*

11. *Ibid*

12. *Rising Nepal*, November 14, 1986.

13. CBS, *op. cit.*

14. CBS, *op. cit.*

15. *The Rising Nepal*, November 12, 1986

world is established through satellite.

Radio is the primary medium of mass communication. The number of radios in operation is about 184 thousand in 1981<sup>16</sup> and programmes are broadcast from one main center in Kathmandu with five transmitting stations. Radio Nepal with 310 kilowatt shortwave transmitters is audible throughout the length and breadth of the country. Plans are also underway to increase the present 210 kilowatt medium wave transmitter to bring the country within the hearing range of medium wave.

Television broadcast is also introduced very recently but it is still confined to Kathmandu, the capital city. Nearly 460 newspapers were being published upto 1984/85, of which the dailies and weeklies accounted for 13 and 75 per cent respectively<sup>17</sup>.

### Economy

Nepal is one of the poorest countries in the world with estimated per capita GDP at current prices of Rs. 2940 in F. Y. 1985/86 i.e. about US dollar 133 only<sup>18</sup>. During the 1970/71-1984/85 period, Nepal achieved an annual real GDP growth rate of 2.8 per cent

**Table A. I**  
**Historical GDP Growth**  
**(Percent per annum in 1974/75 prices)**  
**Average annual growth**

	1970/71-1984/85	1980/81-1984/85 <sup>a</sup>	1982/83-1984/85	1982/83	1983/84	1984/85
	(Sixth Plan Period)					
Agriculture	1.5	3.2	2.5	-2.5	8.7	2.5
Non-agriculture	4.9	3.7	3.4	0.4	5.5	3.4
GDP	2.8	3.4	2.9	-1.4	7.4	2.8
	1971-81		1981-86		Percent annum	
Population -growth Estimates	2.66		2.66			

a. 1979/80 was particularly poor year, agriculturally. Hence the base year figures for the Sixth Plan period were normalized by taking the average values for 1978/79, 1979/80 and 1980/81

**Source** : Central Bureau of Statistics. National Accounts Division, Nepal, Estimates for several years (mimeo) Also see, World Bank. 1985. Nepal : *prospects for Economic Development and Growth*, Report No. 5867-NEP, South Asian Programme Department.

per annum which barely kept pace with the population growth rate of 2.66 percent (see Table A. I). A recently conducted study by FAO and the Department of Food and Agricultural Marketing Services of HMG/ Nepal showed that about 34 and 40 per cent of the rural households suffer from inadequate consumption and income respectively (FAO

and the Department of Food and Agricultural Marketing Services, 1983)<sup>19</sup>. The estimated calorie intake in 1980 fulfilled only 86 per

16. Central Bureau of Statistics, *Population Census 1981. Household Characteristics*, Vol. IV, Kathmandu.

17. Central Bureau of Statistics, 1986. *Statistical Pocket Book*, Kathmandu Nepal

18. Central Bureau of Statistics, 1986. (mimeo), Kathmandu.

19. Food and Agriculture Organization of the United Nations and the Department of Food and Agricultural Marketing Services, HMG. 1983. *Pilot Study on Socio-economic Indicators for Monitoring and Evaluation of Agrarian Reform and Rural Development in Nepal*, Kathmandu.

cent of the requirement (World Bank, 1985)<sup>20</sup>. Similarly, the indices of physical quality of life (PQLI) such as adult literacy rate of 19 per cent, estimated average life expectancy of 49.53 years in 1981 and infant mortality rate of 145 in 1978 (CBS, 1985)<sup>21</sup> indicate the extent of deprivation of some of the basic needs of the people.

Nepal's economy is predominantly based on agriculture. The composition of GDP at constant prices over the period 1974/75-1985/86 clearly show the dominance of agriculture, although its share in GDP declined from 70

per cent in 1974/75 to about 62 per cent in 1985/ 86 (Table A. 2). Agriculture accounts for 75 per cent of exports and absorbs more than 90 per cent of the labour force. This sector is characterized by small farms and small farmers and the land distribution is extremely skewed. The Sample Census of Agriculture in 1981 shows that over 50 per cent of the households have holdings of less than one - half hectare and they operate only 6.6 per cent of the total cultivated land. Two-third of the total households have holdings less than one hectare and account for 17.4 per cent of

**Table A. 2**  
**Growth and Composition of GDP : 1974/75 - 1985/86**  
(Constant 1974/75 prices, million rupees)

	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85 <sup>1</sup>	1985/86 <sup>2</sup>
Gross Domestic Product	16571	17300	17822	18607	19048	18606	20158	20920	20297	21873	22520	23470
Agriculture	11550	11615	11141	11141	11480	10933	12066	12616	12478	13668	13990	14646
Percentage	(70)	(67)	(63)	(60)	(60)	(59)	(60)	(60)	(61)	(62)	(62)	(62)

1. Revised preliminary estimate; 2. Preliminary estimate.

Note: Figures in parentheses are percentage share of agriculture in GDP.

Source : Central Bureau of Statistics, National Accounts Division, Kathmandu, Nepal.

the total cultivated land. Conversely, only about - nine per cent of the households having holdings of above 3 hectares control 47 per cent of the total cultivated land,<sup>22</sup> (also see Table A. 3). Although data on landlessness is scanty and unreliable, available evidence, *albeit* fragmentary indicates growing marginalization and landlessness of the poor

peasantry over the years. One recent study by the Planning Commission shows that over 10 Percent of the households are landless (Singh, 1983)<sup>23</sup> and the ARTEP mission in 1974 found that 23 per cent of the households in Terai were landless (ARTEP, 1974)<sup>24</sup>. A comparison of the landholding in Nepal between 1961 and 1981 as provided by Sample Agricultural census shows that the number of households with landholding less than one half hectare increased from 8.5 lakhes to 11 lakhs and their share in total land

20. World Bank 1985. *Nepal Prospects for economic Adjustment and growth* Report No. 5867-NEP. South Asian Programme Department, ) Washington, D. C.

21. Central Bureau of Statistics. 1985. *Intercensal changes of some key census variables, Nepal 1952/54*, Vol. 1 and Vol. II. Kathmandu.

22. Central Bureau of Statistics. 1986. *Sample Census of Agriculture* 1981, Kathmandu.

23. Singh, R.B. 1983 "A Review of Nepal's Efforts in poverty Alleviation," FAO : in depth studies series No. 13.

24. Asian Regional Team for Employment promotion: 1974. *The Challenge for Nepal : growth with employment* , a mission report, Bangkok

Table A.3

## Farm Size and Distribution of Holding in Nepal

Size Or holding (in hectare)	No. of households	Per cent	Total hectares	Per cent	Average ha. per holding
<b>1961</b>					
Less than 0.5	854803	56.3	199532	11.8	0.23
0.5-1.0	285932	18.8	198581	11.8	0.69
1.0-3.0	256890	16.9	453859	26.9	1.77
Above 3.0	1191311	100.0	1685422	100.0	1.11
<b>1981</b>					
Less than 0.5	1107902	50.5	161987	6.6	0.15
0.5-1.0	355420	16.2	264522	10.8	0.74
1.0-3.0	535964	24.4	868201	35.3	1.62
Above 3.0	194623	8.9	1160628	47.3	5.96
<b>Total</b>	<b>2193909</b>	<b>100.0</b>	<b>2455338</b>	<b>100.0</b>	<b>1.12</b>

Source : Central Bureau of Statistics, Sample Census of Agriculture, 1961 and 1981 Kathmandu, Nepal.

Also see, Yadav, R. P. 1986. "Agricultural Policy to Meet Basic Food Needs in Nepal", Kathmandu: International Center for Integrated Mountain Development (ICIMOD), (mimeo).

declined from 11.8 per cent to 6.6 per cent<sup>25</sup>. This upsurge of marginal farmers on the one hand and their declining share in the total land, on the other hand, clearly indicates that the holdings of the lower 50 per cent of the households have deteriorated over the last three decades.

Although the economy of Nepal is predominantly agriculture, only a small fraction of the total land could be brought under cultivation mainly due to its topography and other resource constraints. According to 1981/82 Agricultural Census it was found that only 17 per cent of the total land area is brought under cultivation. And this cultivated land is unevenly distributed. The Hills and Mountains which support 56 per cent of the total population of Nepal, held only 43 per cent of the cultivated land, averaging only

0.12 hectare per person while the Terai accounted for 57 per cent of the cultivated land but supports only 44 per cent of the population resulting in greater availability of holding averaging 0.21 hectare per person in the Terai<sup>26</sup>.

### Crop Pattern

Rainfall is the major factor in determining crop pattern as well as the productivity of agriculture in different parts of the country. In general, crops for the *Barkhebbali* (summer crops), or autumn harvest, are sown when the rains begin around May-June. The chief summer crops are rice, maize, millet and jute. *Hiundebbali* (spring/winter) crops are sown when the rains have ended and are harvested in February-March. They include wheat,

25. Central Bureau of Statistics, *Sample Census of Agriculture*, 1961 and 1981, Kathmandu.

26. Central Bureau of Statistics. *Comparative Analysis of Ecological Belts-based on 1981/82 Agricultural Census Results*, Kathmandu.

barley, sugarcane, oil seeds, potato and tobacco. Important cash crops in Nepal are jute, sugarcane and tobacco. Jute, sugarcane and tobacco accounted for 50 per cent, 38 per cent and 10 per cent of the total land given to cash crops in 1981/82. Food crops accounts for as much as 87 per cent of the area reported under temporary crops in 1981/82. Over 85 per cent of the total area devoted to the cultivation of food crops is used to grow cereals, the remainder is mainly under pulses (for example, soybeans, lentil, gram, peas, etc.). Paddy is the main crop, accounting for 56 per cent of the area under food grains in 1981/82. Maize is the next most important crop followed by wheat and millet. Maize, wheat and millet accounted for 21 per cent, 16 per cent and 6 per cent of the area under food grains in 1981/82. Maize is cultivated together with millet and they are mostly grown in the Hill. Maize is the main crop in the Hill-millet is mostly a supplementary crop. Wheat is a relatively new crop in Nepal which is mostly concentrated in the Terai.

### **Agricultural Output**

The growth in agricultural production has been very unsatisfactory. It grew at the rate of 1.5 per cent per annum during the period 1970/71 to 1984/85 (see Table, A.1) which was lower relative to the population growth rate of about 2.7 percent per annum for the corresponding period. This long terms stagnation in agricultural production has resulted in a decline in per capita food availability and exportable food surpluses. This poor long term agricultural performance was mostly due to stagnation in output during 1970/71-1979/80. However, agricultural production regained its momentum during

the Sixth Five Year Plan (1980/85) during which it grew at the rate of 3.2 per cent per annum. It is also to be noted here that most of this increase in agricultural production was due to expansion in cropped area rather than increase in productivity. The average yield remained stagnant or declined over time (Economic Survey 1985/86)<sup>28</sup>. Herein lies the dilemma of Nepal's agriculture the low productivity of food grain producing areas means that to feed the rapidly growing population more land had to be brought under cultivation through clearing jungles and extending cultivation to marginal areas which in turn, leads to even lower average yield. However, this vicious circle of low productivity trap could be avoided by modernizing agriculture. There is an ample room to increase agricultural productivity in Nepal by bringing more land under irrigation, high yielding varieties and through improving the nutrient content of the soil by application of chemical fertilizer. The potential for increasing agricultural production through expanding irrigation facilities is very high in Nepal as only 24 per cent of the area of all holdings were irrigated in 1981/82<sup>29</sup>. Similarly less than 2 per cent of the area under major crops (paddy, maize, wheat, sugarcane, potato) was brought under high yielding varieties in 1981/82<sup>30</sup>. In Nepal, the level of chemical fertilizer use is less than 15 kilograms per hectare in 1984/85 which is one of the lowest in the region (Economic Survey 1985/86)<sup>31</sup>. The loan disbursement in the agriculture sector reached Rs. 583.8 million in 1984/

---

27. Central Bureau of Statistics. 1986. *Analysis of the National Sample Census of Agriculture for Nepal*. 1981/82, (mimeo) Kathmandu.

---

28. His Majesty's Government, Ministry of Finance, 1986. Economic Survey 1985/86, Kathmandu.  
 29. Central Bureau of Statistics, 1986. An Analysis of the National Sample Census of Agriculture for Nepal, 1981/82, (mimeo) Kathmandu.  
 30. *ibid*, p. 302.  
 31. His Majesty's Government. Ministry of Finance, 1986. Economic Survey 1985/86, Kathmandu, Nepal.

85 which falls far short of the requirements<sup>32</sup> According to an estimate made by Nepal Rastra Bank an amount of Rs. 2303 million of credit is required during the period 1980/81-1984/85 in order to cater to the needs of 10 per cent of the total farm families (Nepal Rastra Bank, 1980)<sup>33</sup>.

Nepal's industry is at a very nascent stage. It accounted for about 5 per cent of GDP in 1983/84 and less than one per cent of the labour force in 1981 (CBS, 1985)<sup>34</sup>. The output of the industrial state is confined mostly to consumer goods (footwear, textiles, processed foods, construction materials and simple assembly items). There are, however, many barriers to industrial development of Nepal. These are well reflected in the following passages of a mission report by ARTEP: "There are naturally many handicaps to industrial development in Nepal. The constraints it faces with regard to market are severe. For many industrial products, the internal market is not only very small, because of widespread poverty and the low degree of urbanization but also very fragmented. The open border with India makes it difficult to cut off the competing Indian imports particularly for the Terai market. Dependence for many basic raw materials and intermediate products on India, which itself suffers from many shortages and transportation bottlenecks, and for equipment which is often of low quality and relatively expensive, adds to the costs and problems of industry in Nepal (Asian Regional Team for Employment Promotion : The Challenge for Nepal : Growth with Employment, a Mission Report (Bangkok

---

32. *ibid.*

33. Nepal Rastra Bank, 1980. "Agricultural Credit Review Survey, Vol. I-IV, Summary and Recommendations" Kathmandu. Also in foot-note No. 23.

34. CBS, 1985 (a) : Estimate of GDP by Industry (mimeo) (b): *Intercensal Changes of Some Key Census Variables*, Nepal 1952/54-1981, Vol. I and II Kathmandu.

1974)<sup>35</sup>. It is not only difficult for Nepal to protect its infant industries from competition with India's more developed industrial sector but also the developed industrial base of India limits the access of Nepalese industrial goods into Indian market. However, the number of industries have steadily been increasing in Nepal. The number of manufacturing industries have increased from 1257 in 1965/66 to 4903 in 1981/82 (CBS, 1986)<sup>36</sup>. In recent years the country is quite successful in exporting ready made garments and carpets, the products of cottage and small industries, to markets of western Europe and the USA.

Tourism is the single most important source of foreign exchange earnings of the country. Over 2.12 million foreign tourists visited Nepal in the past 25 years (1960/61-1985/86). During this period about 368 million US dollars worth, of foreign currency was earned by the country<sup>37</sup> From mid-December 1983/84 to mid-December 1984/85, the tourists arrivals in Nepal from all different countries of the world totalled 180,989. In the year 1984/85, the country earned Rs. 724.8 million worth of foreign exchange from tourism which accounted for 19.4 per cent of the total foreign exchange earnings of the country (Economic Survey 1985/86)<sup>38</sup>.

To put the country on the pathway to progress and prosperity, there is an urgent need to eradicate the immense poverty, widespread malnutrition, unemployment and under employment. His Majesty's Government is aware of this challenge and has launched perspective plans under the guidance and direction of His Majesty to meet the basic

---

35. Asian Regional Team for Employment Promotion : 1974. *The Challenge for Nepal : Growth with Employment; a Mission Report* (Bangkok).

36. CBS, 1986. *Statistical Pocket Book*.

37. Gorkhapatra Sansthan. *Rising Nepal*, 7 November 1986

38. Ministry of Finance : *Economic Survey*, 1985/86, Kathmandu; Nepal.

needs of people at par with the average Asian - standard by year 2000. His Majesty King Birendra has declared on *Pansh* 1, 2042, (Dec 1985) "let us pledge that we, in the remaining years of this century, will be able to shake off the poverty

imposed on us by our least developed economy and that by year 2000 A D, we will be able to achieve a standard of living which is adequate to lead a life with human dignity from Asian standard"<sup>39</sup>.

---

<sup>39</sup>. English translation obtained from the *Rising Nepal* February 1, 1987.

