

Chapter 5

Nepalese Economy

Lesson -1 Review of Nepalese Economy

Important Questions and answers

1. Explain the characteristics of developing countries.

A developing country is one where the process of economic development has started but not completed. In developing countries, most people are compelled to live below the poverty line. Thus, developing countries are generally poor countries. The developing countries are also known as underdeveloped countries, least developed countries, and third world countries. Many developing countries are differing from each other in physical, cultural, characteristics, but there are some common characteristics of developing countries which are as follows:

1. General poverty:

There is widespread poverty in developing countries. The general living standard of people is very low due to their low income. That is why; they are not able to fulfill their basic necessities like food, shelter, cloth, etc. Majority of people are both in poverty and die in poverty. They live below the poverty line.

2. Rapid population growth:

There is rapid population growth in developing countries as compared to developed countries. The average annual growth rate of population in developing countries is about 1.5 % to 3 % whereas, in developed countries, it is about 0.7 % or about 1 %.

3. High dependence on agriculture:

Agriculture is the main occupation in developing countries. Majority of the population from 70 % to 80 % are engaged in agriculture in developing countries whereas in developed countries 15 % or less depends on agriculture. The high dependency on agriculture is due to the low development of the non-agricultural sector.

4. Underutilization of natural resources:

Most developing countries are rich in natural resources. The natural resources in developing countries are either utilized or underutilized due to the various difficulties such as shortage of capital, the small size of the market, primitive technology. Nepal is rich in water resource but it is not being properly utilized due to the lack of capital.

5. Dualistic economic:

Most developing countries have the mixer of two types of an economic system, modern or marketing economy system, modern or marketing economy and subsistence or traditional economy. A market economy exists in limited urban areas where modern

facilities can be utilized and the traditional economy exist in most of the rural areas where there are no modern facilities and life is full of difficulties.

2. Explain the indicators of Nepalese economy.

When a country goes on developing, changes take place in its economy. These changes are known as indicators of economic development. Thus, the measures or criteria which are used to measure the degree of economic development are called indicators economic development is called indicators of economic development. As development is a dynamic concept, its indicators also changeable. So, there are different opinions of different economists regarding the indicators of economic development which are as follows:

1. Per capita income (PCI):

PCI of a person in a country indicates economic development. If the increase in PCI is higher than the population growth rate, then there is economic development. The economists like Meier, Paul Baron, Buchanan, and Elis have accepted the increase in PCI as the indicator of economic development.

2. Gross national products (GNP):

According to these criteria, if there is a sustained increase in production of a country over a long period of time, then there is economic development. Economic development is considered to be more if GNP is more and vice versa. The economists such as Baldwin, Simon, Kuznets, Meier, etc. have considered GNP as an indicator of Economic development.

3. Physical quality of life index (PQLI):

These criteria were developed by Morris D Morris. PQLI consists of three elements: – Life expectancy, Infant Mortality rate, and Literacy rate. The level of these components determines the level of economic development. If people live longer and are literate, PQLI value will be high and there is economic development. The levels of these three components are ranked from (1 – 100). If its value crosses 50, the country is supposed to be developed and if the value lies below 50, the country is supposed to be developing.

4. Basic human needs:

These criteria were developed by the World Bank. According to these criteria, the development is evaluated on the basis of fulfillment of the basic needs of people in terms of health, education, water, food, cloth, shelter, etc. If these basic needs are available to then people, there is economic development and vice versa.

5. Human development index:

These criteria were developed by UNDP (United Nation Development Programme) in 1990 A.D. This indicator is related to three aspects of human life: – Income for a decent living, Educational attainment, and Life expectancy. HDI is measured in a scale of (0 – 11). Zero indicates the lowest human development and one indicates the highest human

development. HDI ranks the countries in three groups by using these three majors of development :

- Lowest human development (0 – 0.49)
- Medium human development (0.50 – 0.79)
- Highest human development (0.80 – 1)

3. Explain the macroeconomics indicators of the province of Nepal.

The state structure of federal democratic republic of Nepal consists of 7 provinces and 753 local levels. Out of total 753 local levels, there are 460 Rural Municipalities, 276 Municipalities, 11 Sub-Metropolitan Cities and 6 Metropolitan Cities. Some of the macroeconomic indicators of the central government of Nepal and the seven provinces are explained below:

1. Economic Growth Rate:

Economic growth is the increase in the value of real GDP or the increase in output over the period of time. From the FY 2018/19 onwards GDP is also measured province wise. Among the 7 provinces the growth rate of Bagmati is the highest (4.65) and that of the Province 2 is lowest (3.52). Bagmati has the highest contribution on the total GDP and Karnali Province has the lowest contribution.

2. Poverty:

There are two statistics used to access the poverty situation of each Province, the head count poverty rate and multidimensional poverty rate. According to the economic survey 2018/19, out of total population 18.7% lives in absolute poverty. The highest number of population living under the absolute poverty is in Sudurpashchim. 33.9% of the total population in Sudurpashchim lives in absolute poverty and it should also be noted that out of total population only 9.6% of population lives in Sudurpashchim. The lowest number of population living under the absolute poverty is in Province No.1. 12.4% of the total population in Province No.1 lives in absolute poverty.

3. Inequality:

Inequality refers to the unequal distribution of income or wealth or assets among the individuals. It is also known as the gap between the rich and the poor. Inequality is measured with the help of Gini coefficient whose value ranges from 0(which means no inequality) to 1(which means perfect inequality). According to the economic survey 2018/19 the Gini coefficient of Nepal is 0.3.Out of 7 provinces, province No.1, Gandaki and Karnali has the value of 0.4 and the lowest is of Province No.2 with a value of 0.2.

4. Unemployment:

Unemployment refers to a situation where a person is willing and able to work but is unable to find any job. As per the economic survey, unemployment rate of Nepal FY 2018/19, highest level of unemployment was in Province No.2 with 20.1% level of unemployment. Bagmati Province had 7% unemployment rate which was the lowest among the 7 Provinces.

5. Life Expectancy:

It is the average number of years that a person is expected to live. Average life expectancy of Nepal according to economic survey FY 2018/19 was 69.7. Out of 7

Provinces Gandaki has the highest life expectancy with a value of 71.7 years. Karnali had the lowest with 66.8 years.

Lesson – 2 Natural Resources of Nepal

Important questions and answer.

1. Write about importance of water-resource in Nepal.

Water resources play an important role in the economic development of Nepal. Being one of the important sources of energy, it is also termed as "White Coal". Nepal has been designated as the "Water Resource Capital of South Asia". The roles of water resources in the Nepalese economy are as follows:

1. Source of Energy:

Availability of abundant water resources and geo-physical features of the country provide ample opportunity for hydropower production in Nepal. This is the source of energy that contributes to the development of transportation, communication, and each and every sectors of the economy.

2. Development of Agriculture Sector:

Water resource is the basis of irrigation and irrigation is the lifeblood of agriculture. Adequate provision of irrigation helps to diversify crops and to increase agricultural productivity. Thus, development of agriculture sector depends directly on water resources. The agro-based industries such as sugar, jute, cigarette, flour, rice, oil, paper, etc. can also be established by using electricity produced from water resources.

3. Development of Industrial Sector:

The heavy machinery of large-scale industries cannot run/operate without electricity. So, it is necessary to generate power for the industrial development. Generating adequate electricity from the rivers help to develop the industrial sector of the country. This reduces the cost of petroleum product to run diesel plant and saves foreign currency.

4. Development of Tourism:

The tourism industry depends on the natural beauty of the country. Nepal is rich in rivers, lakes, waterfalls and many more that contribute to the natural beauty of the country. The development and preservation of natural beauty is important to increase the number of tourists from various parts of the world. Besides tourists also visit Nepal for rafting, boating, fishing, etc.

5. Development of Alternative Transport and Communication:

Electricity replaces the use of petroleum products and coal. Electricity generated from water resources can be used to run electric vehicles such as trolleys, cable cars, railway, ropeway, etc. Water resources are also useful for the development of water transportation such as rafting and shipping. It may help to initiate water transit facility. In

the same way, the means of communication such as telephone, internet, fax, radio, T.V., etc. can also be operated by using of hydropower.

2. Discuss the problem of water resource of Nepal.

1. Lack of Transportation and Communication:

Transportation and communication facilities are essential in order to conduct projects regarding water resource. Most of the hydro-electricity projects are located in hilly areas where transportation and communication facilities are very difficult to access

2. Limited Market:

The market for water products is limited. The purchasing power of Nepalese people is very low. The only foreign market is India. But Indian policy regarding these products is not favorable.

3. Defective Government Policy:

Government policies on water resources development is neither appropriate nor effective. There is lack of adequate statistical data regarding current situation of water resources. Nepal government has adopted open door policy for private investment but the policy and legal provisions are neither adequate nor clear-cut.

4. Rugged Geographical Terrain:

Nepal is a hilly country. Most of the projects related to the water resource development are located in hilly areas with uneven geographical terrain. Due to this uneven geographical situation, development of transport and communication system in these areas is very difficult which causes difficulties in the development of water resources in Nepal.

5. Political Instability:

Political instability that causes frequent changes in government has become a common feature of Nepal since the restoration of multi-party democracy. As a result, there is problem in the continuation of the existing projects, programs and policies with the change in government. This creates uncertainty in the economic activities which further discourage the entrepreneurs and reduce domestic and foreign investment.

3. Explain the role of forest resource.

1. Basis of Preserving Natural Eco-system:

For ecological balance, at least 43% of total area should be covered with forest. Forest is the source of oxygen. It is impossible for living things to survive without forests. Forests are the natural habitat of various species. So, forest resources help to prevent precious species from being extinct which helps to preserve bio-diversity.

2. Backbone of Agriculture:

Forest is the mother of agriculture sector. Leaf litter and animal beddings are collected from forest, which is a source of compost manure. Forests help to maintain the level of

groundwater that helps in irrigation. Besides, forest can prevent soil erosion and landslides as trees have gripping power.

3. Basis of Raw Materials for Industries and Construction:

The raw materials for the forest-based industries like paper, matches, paints, medicine and varnish and turpentine processing are available from forest. Similarly, timber and wood for the construction of bridges, houses, etc. are also obtained from the forest.

4. Source of Energy:

Forests are the main sources of energy in Nepal. About 60% of total energy consumption in Nepal is obtained from forest. Nepalese people are consuming fuel wood for heating and cooking purpose. Fuel wood is also used extensively in brick and mine kilns, rural industries, restaurants, etc.

5. Promotion of Tourism:

Forest enhances the natural beauty of the country. Forest management can preserve rare wild lives: elephant, tiger, rhinos, musk deer, panda, etc. have been the source of tourists' attraction in various wild life conservations in Nepal.

6. Source of Public Revenue:

Forest is one of the sources of government revenue in Nepal. It provides both tax and non-tax revenue by selling the forest products like timber, herbal products, etc.

4. Explain the role of forest resource.

1. Basis of Preserving Natural Eco-system:

For ecological balance, at least 43% of total area should be covered with forest. Forest is the source of oxygen. It is impossible for living things to survive without forests. Forests are the natural habitat of various species. So, forest resources help to prevent precious species from being extinct which helps to preserve bio-diversity.

2. Backbone of Agriculture:

Forest is the mother of agriculture sector. Leaf litter and animal beddings are collected from forest, which is a source of compost manure. Forests help to maintain the level of groundwater that helps in irrigation. Besides, forest can prevent soil erosion and landslides as trees have gripping power.

3. Basis of Raw Materials for Industries and Construction:

The raw materials for the forest-based industries like paper, matches, paints, medicine and varnish and turpentine processing are available from forest. Similarly, timber and wood for the construction of bridges, houses, etc. are also obtained from the forest.

4. Source of Energy:

Forests are the main sources of energy in Nepal. 60% of total energy consumption in Nepal is obtained from forest. Nepal people are consuming fuel wood for heating and cooking purpose. wood is also used extensively in brick and mine kilns, rural industry restaurants, etc.

5. Promotion of Tourism:

Forest enhances the natural beauty of the country. Forest management can preserve rare wild lives: elephant, tiger, musk deer, panda, etc. have been the source of tourists' attraction in wild life conservations in Nepal.

5. What are the causes of deforestation.

1. Agricultural Activities

As earlier mentioned in the overview, agricultural activities are one of the significant factors affecting deforestation. According to the FAO, agriculture leads to around 80% of deforestation. Due to the overgrowing demand for food products, a huge amount of trees are felled to grow crops, and 33% of agriculture-caused deforestation is because of subsistence agriculture.

2. Illegal Logging

Apart from this, wood-based industries like paper, match-sticks, furniture, etc. also need a substantial amount of wood supply. Wood is used as fuel, both directly and indirectly. Therefore trees are chopped for meeting the demand for supplies. Firewood and charcoal are examples of wood being used as fuel. Some of these industries thrive on illegal wood cutting and felling of trees.

3. Urbanization

Further, to gain access to these forests, the construction of roads is undertaken; here again, trees are chopped to build roads. Overpopulation too directly affects forest covers, as with the expansion of cities, more land is needed to establish housing and settlements. Therefore forest land is reclaimed.

4. Desertification of Land

Some of the other factors that lead to deforestation are also partly natural and partly anthropogenic, like desertification of land. It occurs due to land abuse, making it unfit for the growth of trees. Many industries in petrochemicals release their waste into rivers, which results in soil erosion and make it unfit to grow plants and trees.

5. Mining

Oil and coal mining requires a considerable amount of forest land. Apart from this, roads and highways have to be built to make way for trucks and other equipment. The waste that comes out from mining pollutes the environment and affects the nearby species.

6. Forest Fires

Another valid example would be forest blazes; hundreds of trees are lost each year due to forest fires in various portions of the world. It happens due to extreme warm summers and milder winters. Fires, whether caused by man or nature, results in a massive loss of forest cover.

7. Paper

According to the Environment Paper Network, the paper that's thrown away each year accounts for approximately 640 million trees. America, China, Canada, Japan, constitute more than that of the world's paper production, and that is 400 million tons a year.

If we recycled, that could save 27.5 million tons of carbon dioxide from going into the atmosphere. We allow the forests to continue to remain as a favorable ecosystem and wildlife habitat if we use recycled paper.

8. Overpopulation

The overpopulation requires more land to establish housing and settlements. It generates a significant need for food and farmland to grow food and raise livestock. It automatically requires many more roads and highways for transport and communication—all these results in deforestation. Logging industries cut down trees for furniture, paper, building materials, and many more products.

Moreover, the growing human population is directly linked to deforestation. Therefore, it becomes almost essential to purchase from sustainable companies that actively work against deforestation.

6. Explain the consequences of deforestation.

1. Climate Imbalance and Climate Change

Deforestation also affects the climate in many ways. Forests are the lungs of our planet. Trees take in carbon dioxide and release oxygen and water vapor in the air, and that is why tropical rainforests are extremely humid.

Trees also provide shade that keeps the soil moist. All these are compromised with the lack of trees. It leads to the imbalance in the atmospheric temperature, drier climate, further making conditions for the ecology difficult that leads to climate change.

2. Increase in Global Warming

Trees play a major role in controlling global warming. The trees utilize greenhouse gases, restoring the balance in the atmosphere. With constant deforestation, the ratio of greenhouse gases in the atmosphere has increased, adding to our global warming woes.

3. Increase in Greenhouse Gas Emissions

Forests help to mitigate carbon dioxide and other toxic greenhouse gas emissions. However, once they're cut, burned, or otherwise removed, they become carbon sources. It's estimated that deforestation is responsible for around 20 percent of greenhouse gas emissions, and due to tropical deforestation, 1.5 billion tons of carbon is released every year in the atmosphere.

4. Soil Erosion

Trees are also crucial for our local water cycles as they keep on returning water vapor to the atmosphere. The soil remains moist as the rainwater percolates within the soil.

The fertile soil is held in place by intricate root structures of many layers of trees. With the clearance of tree cover, the land is directly exposed to the sun, making it dry.

Without trees, erosion often occurs and sweeps the land into nearby rivers and streams. Forests serve as nature's water purification plants. Soil erosion makes soil exposed to contaminants that leach into the water supply, which damages the quality of our drinking water.

5. Floods

When it rains, trees absorb and store a large amount of water with the help of their roots. When they are cut down, the flow of water is disrupted, and the soil loses its ability to retain water. It leads to floods in some areas and droughts in others.

6. Wildlife Extinction & Habitat Loss

Due to the massive felling down of trees, various animal species are lost. They lose their habitat and also forced to move to a new location. Many of them are even pushed to extinction. Our world has lost innumerable species of plants and animals in the last couple of decades. A study of the Brazilian Amazon forecasts that up to 90% of predicted extinctions will occur until the next 40 years.

7. Explain the role and importance of mineral resources in Economic Development.

Mineral resources play an important role in the economic development of a country. They contribute to a country's development by generating foreign direct investment, export earnings, government revenues (through royalties, taxes, licenses and fees), gross domestic product (GDP) growth and employment. The role of mineral resources in the economic development of Nepal can be explained as follows:

1. Development of Agriculture Sector:

Minerals such as metals are used in manufacturing agricultural tools and implements like spade, machines and irrigation devices for agricultural development. The mineral (Pyrite) available in Nepal is very useful for the production of chemical fertilizers.

2. Development of Industrial Sector:

The development of industrial sector of a country largely depends on the availability of mineral resources. Mineral deposits are the basis of raw materials, machinery and equipment needed for industry. Agriculture lime, marble, lead, cement, etc. are the main mineral based industries in Nepal.

3. Development of Transport, Communication and Electricity:

Development of transport and electricity needs heavy equipments, which are the outcomes of mineral resources.

4. Source of Energy:

The optimal use of natural resources such as petrol, diesel, natural gas, can meet the increasing energy demand. They can replace imports of petroleum products and help to reduce the problem of trade deficits.

5. Employment Opportunities:

Most of the people in Nepal are engaged in agricultural, where unemployment and disguised unemployment are common. Development of mineral resources requires more employment and reduce the unemployment rate in the country.

6. Source of Public Revenue:

Optimum use of mineral resources helps to establish large-scale industries. Nepal has greater scope of cement, iron, zinc, coal, etc. The government can impose VAT and other duties on these products that are the major sources of public revenue.

8. Explain the current situation of mineral resources in Nepal

It is believed that Nepal is rich in mineral resources. Preliminary geological surveys reveal that there are varieties of mineral ores, natural gas, coal etc. deposited in the various parts of Nepal.

Based on various geological surveys, current situation of mineral deposits in Nepal:

1. Iron core:

Iron is the principal metal which is used extensively in infrastructure development works, and manufacture heavy machinery equipment, arms and agricultural tools. In Nepal, iron ore deposits have been found in Fulchoki (10 million tons of iron ore is estimated to be deposited).

2. Copper:

Copper is another important metal which is mainly used in electrical industries to produce electrical and electronic equipments, copper wires, crafts, utensils, and other household purposes. Copper ore expected to be found in about 30 places. These places are: Bhotkhola, Gyaji, Arkhaule, Nangre, Wapsa, Siddhakhani, etc. but amount has not been ascertained.

3. Magnesite:

180 million tons (66 million tons of high grade, MgO content 88 to 96% loss free basis) of magnesite deposit in Kharidhunga, Dolakha; 20 million tons of medium to low-grade magnesite deposit in Kampughat in Udayapur district; and few small size magnesite occurrences from Palpa, Baitadi and Dolakha have been identified.

4. Mica:

The mica mines have been found in Bajhang, Chainpur, Doti, Bhojpur, Lamjung, Gosaithan, Nuwakot, Dhankuta and so on. But the quantity has not been ascertained.

5. Limestone:

Limestone is the most important raw material for cement industry. Limestone is found in Chovar, Jogimara, Bhainse, Rasuwa, Baglung, Pulchowki, Baitadi, Tipling, Salmor valley and so on.

9. Explain the problems of mineral resource in Nepal.

Most of the mineral resources are found only in papers. The causes of non identification and non-exploitation of mineral resources are as follows:

1. Inadequacy of Capital:

A large amount of capital must be invested in developing mineral resources. However, Nepal is a poor country and the pace of capital formation is very slow. Due to the

inadequacy of capital, there has not been enough capital investment for the development of this sector.

2. Lack of Technology and Technicians:

Exploitation of mineral resources requires highly efficient technicians and modern technology. But, there is lack of such technician and technology in Nepal. So, the country has to rely on foreign experts for the development of this sector.

3. Lack of Infrastructures: Nepal is a hilly country. Most of the mineral resources are supposed to be deposited in the hilly areas. There is need of basic infrastructure such as transport, communication and electricity for the exploitation of mineral resources. But these facilities are not available at mineral deposited areas.

4. Political Instability:

Political instability that causes frequent changes in government has become a common feature of Nepal since the restoration of multi-party democracy. Frequent change in government causes the problems in continuation of the existing projects, programs and policies.

5. Defective Government policy:

There should be an adequate and appropriate mineral policy to ensure the speed of mineral resource development in the country. Such policy should cover various aspects of mineral resources development including investment, exploration, processing, research, etc.

Lesson – 3 Agriculture in Nepal

1. Explain the problems of Nepalese agriculture.

The problems of Nepalese agriculture are as follows:

1. Traditional farming:

Nepalese agriculture used traditional methods of farming. Agricultural tools are not advanced. Due to traditional farming, work is very difficult and production is low. Farmers are not skilled in the methods of the modern agriculture. They are also not healthy enough to realize the potential of their farms. Crops and grains are destroyed by pests, insects and weeds. Animals also cannot give good yield when they suffer from diseases.

2. Lack of proper irrigation

We have not been able to utilize our vast water resources to irrigate cultivable land. Hardly about 20% of the total land under cultivation has good irrigation facilities. So farmers have to depend highly on monsoon rain which is not timely and reliable. In winter much of the farm land remains unused due to the lack of irrigation facilities. During each monsoon landslides and floods excessive rain damage the crop land.

3. Lack of transport and market:

Due to lack of market our agro-based products rot in the places where they are grown. Food grains grow in the Terai cannot be transported to other areas easily nor can fruits such as apple grown in the north easily get market in the south. Due to lack of storage facilities , agricultural products suffer low price.

4. Unscientific and undemocratic distribution of land:

Land distribution is not scientific and democratic. Those who are actual tillers don't own land at all while those who don't even tread field hoard huge areas of land and leave it uncultivated. Fertile valley and plains are being occupied by the settlement and industries. Besides, there is over-fragmentation of agricultural land i.e. broken into too small parcels. It is difficult to cultivate such parcels. All this results in low production.

5. Overpressure of manpower:

Less than 20% of total area of Nepal is under cultivation. But over 60% of population overburdens the land. With rapid population growth, number of farmers cultivating the same field is increasing. When the share of land for a farmer gets very low, per capita production decreases.

2. Write down the importance of agriculture and problems of Nepal.

The importance of agriculture in Nepal is listed below:

- It is the main source of living of the majority of people in Nepal.
- We can export agricultural products and earn foreign currency.
- It provides employment opportunities to the youths and hence holds energetic youths from going abroad.
- Agriculture provides raw materials for many industries.
- Agriculture involves physical work and makes us healthy.
- It doesn't keep land barren and helps to decrease soil pollution.
- Agriculture helps in maintaining balance in the eco-system.
- There are many problems faced by the farmers in Nepal leading to undeveloped agriculture tradition in Nepal.
- The government doesn't give enough focus to the agricultural sector.
- Major agricultural services like tractor, threshers, seeds, pesticides, etc are expensive.
- The traditional method of agricultural practice due to uneducated and unskilled farmers that leads to low growth.
- Nepal lacks a proper market for agricultural products.
- Lack of proper management.
- Lack of proper irrigation facilities, seeds, fertilizers, agricultural equipment, insecticides, etc.

- Lack of proper transportation and storage facilities.
- Presence of middlemen that directly affect farmers while selling products.

3. What are the sources of agricultural finance in Nepal?

The sources of agriculture finance in Nepal can be classified broadly into two groups:

- 1. Institutional or Formal or Organized sources, and**
- 2. Non-Institutional or Informal or Unorganized sources.**

1. Institutional or Formal Sources

The agricultural finance that has been borrowed or managed by institutional source such as banks, finance, co-operatives, etc. are called organized source of agricultural finance. Organized sources are legally established specially for the development of agricultural sector under the policy and regulation of the government. The institutional source provides loan to needy farmers at comparatively lower rate of interest. The formal or organized sources of agricultural credit are as follows:

a. Co-operative Societies:

The Co-operative movement has started in Nepal since 2010 B.S. with the objective of removing economic weaknesses and social exploitation. It was established to provide agricultural inputs including credits. At the same time, it started to provide essential commodities at reasonable price. Moreover, it has important role in marketing of agricultural products. The cooperatives is considered the best for providing credit to farmers, especially small and marginal farmers. Its main objective is to make available cheap credit and agricultural inputs to farmers. According to National Sample Census of Agriculture 2011/12, cooperatives have been providing 16 percent of agricultural credit.

b. Agricultural Development Bank:

Agricultural development bank was established in 2024 B.S. with the objectives of modernization and commercialization of agriculture sector. The bank has been working as a premier rural credit institution. It provides short, medium and long term credit for commercial farming. According to National Sample Census of Agriculture 2011/12, it has been contributing 12 percent of agricultural credit.

c. Rural Development Bank (Grameen Bikas Bank):

The concept of Grameen (rural) bank was introduced by a Bangladeshi Economist Professor Muhammod Yunus in 1976. Grameen Bank is a microfinance organisation and community development bank founded in Bangladesh. Its main objective is to alleviate poverty. It makes small loans (known as microcredit or "grameencredit") to the rural women's group without collateral. It was established to design a credit delivery system to provide banking services to the rural poor. In Nepal, rural development bank was established in 2049 to provide credit facility to the deprived rural people at reasonable

rate of interest. The rural development bank has unique features because it provides loan to rural women. Microcredit is given without collateral on group guarantee basis to needy members.

d. Commercial Banks:

In Nepal, commercial banks are also providing agricultural credit to farmers. There are total 27 commercial banks in Nepal. Nepal Rastra Bank directed the commercial banks to invest 12 percent of their total deposit liabilities in priority sector. So, commercial banks have been providing the credit facility to the needy farmers to invest in agricultural sector. According to National Sample Census of Agriculture 2011/12, they have been contributing 9 percent of agricultural credit.

e. Finance Companies:

Large numbers of finance companies are established on the basis of financial act. These finance companies which are established in rural areas are directly involved in the loan supply to farmers to produce agricultural output.

2. Non-Institutional or Informal or Unorganized Sources

The agricultural finance that has been borrowed or managed by non institutional source such as friends, relatives, landlords, etc. are called. unorganized source of agricultural finance. In Nepal, the non-institutional sources have dominated agricultural credit. The farmers commonly borrow agricultural credit from unorganized sources due to lack of organized sources. The interest rate of non-institutional sources is higher than the formal source. The non-institutional sources of agricultural finance are as followings:

a. Friends and Relatives :

The friends and relatives of farmers supply agricultural credit in small amount to meet the day to day needs and emergency needs. Generally, they get such loans with or without interest and collageral. Out of total agricultural credit 34 percent has been provided by friends and relatives.

b. Village Money Lenders and Landlords:

From the very beginning, village moneylenders and landlords are the main sources of short term and long term credit to marginal and small farmers. Generally, the short term credit is generally provided against the security of standing crops, cattle, and long term credit is provided against the security of fixed assets such as land, house. Generally, they charge high rate of interest to the farmers.

c. Merchants and Traders

Farmers also take loan from merchants and traders to invest in the agricultural sector. They generally, take loan from them during the pre-harvest period. The farmers are forced to sell their agricultural output at the lower price due to short maturity period of loan.

d. Women's Group or Farmer's Group:

In rural areas, agricultural credit has been managed by women's and farmer's group. According to National Sample Census of Agriculture 2011/12 about 23 percent of agricultural credit has been provided by such groups.

4. What is agricultural marketing ? Explain its nature.

Generally, agriculture marketing refers to the place where agricultural products are purchased and sold. There are various activities like collection of agricultural products, quality determination, selling and buying management, development of the organized market, etc. Thus, agricultural marketing involves a number of operations and processes through which agricultural products and raw materials move to the ultimate consumers.

Nature or Features of Characteristics of Nepalese Agricultural Marketing

Agricultural marketing has occupied an important place for farmers. But agricultural marketing is not still organized and developed in Nepal. Farmers are never benefited from their agricultural products, because of the following nature of the agricultural market in Nepal.

1. Seasonal:

Agricultural production and marketing, both are seasonal activities in the rural area of Nepal. Agricultural products are affected by the situation of season. During harvesting season, there is oversupply so, price is always low. Due to the lack of storage facilities, whatever the farmers grow and produce, are brought to the market immediately.

2. Unorganized:

The agricultural marketing system in Nepal is not found organized. The farmers produced small quantities of commodities and sell in the village to fulfill their basic needs. Due to this, the unorganized market, the management system of measurement, price control, quality maintenance, and other facilities are unscientific.

3. Inadequate market centers:

In Nepal, market centers are inadequate in number, especially in hills and mountain regions. People have to travel long distances to reach the nearest market centers. This limits the possibility of trading agricultural products.

4. Small size of the market:

Due to subsistence farming, the volume of marketable surplus generated by farmers is very low. This situation discourages them to travel the better market wherein they could obtain a better price. The low surplus limits the size of the agricultural market in Nepal.

5. Influence of Indian market:

There is a long open border between India and Nepal. Due to this open border, agricultural marketing of Nepal is directly influenced by the Indian price and quality of commodities. Indian agro-products are cheaper than the products of Nepal which adversely affects the Nepalese agricultural market.

5. Explain the problems agricultural marketing in Nepal.

Nepal is an agricultural country so, a well developed agricultural marketing system is necessary for encouraging farmers for higher production from the land. But the agricultural system in Nepal is highly exploitative because farmers don't get a reasonable price for their products. There are many problems related to the management and development of agricultural marketing in Nepal which is as follows:

1. Lack of transportation and communication facilities:

Especially, farmers in the village can't carry their products to the market centers due to the lack of transportation facilities. Similarly, due to the lack of communication facilities, farmers are unable to get the market information like demand price, etc. so, they don't know the actual price of their products. Thus, they have to sell their products in the primary market at a low price.

2. Lack of storage facilities:

The farmers have to sell their products immediately after harvest due to the lack of proper storage facilities. Generally, the price of agricultural products sharply falls during the harvesting season. Most of the food grains are destroyed or decayed if they are kept for the future. So, the farmers are compelled to sell their products at a low price.

3. No uniformity of weight and measures:

The standard uniform measurement system is not yet practiced yet in the rural area of Nepal. Most of the traders don't use proper weight and measures. They still use traditional weight and measures such as mana, pathi, dharni, etc. and they also use stone, bricks, etc in buying goods which are not reliable and appropriate.

4. Existence of a middle man:

There are middlemen who purchase agricultural products from the farmers at a low price and sell them to the consumers at a higher price. Due to this, the middle man exploits the farmers by providing a low price of their products.

5. Problems of Adulteration:

Adulteration or mixing of inferior products with superior on is a common practice among the traders in Nepal. Sand in food grains. Water in milk, salt with fertilizers, etc. are commonly found adulteration method. Adulteration is generally practiced by a middle man.

XXX THE END XXX