

Industrialisation In Nepal A Macroscopic Perspective

Rama Bashyal*

INTRODUCTION

Economic development of a country depends upon the considerable degree of national income level of that particular country. National income is sum total of the contribution made by various sectors of the economy including agriculture, manufacturing industry, tourism, trade, hotels and restaurants, construction, transport and communication etc.

Although the major share of national income comes from agriculture 40.66 percent (FNCCI 1998), in our context the role of manufacturing industry holds much importance. By nature industrial importance is affected by a number of factors within a component, as there are externalities involved in the form of structural (social and political environment), natural (resources) and infrastructural factors that affect the output. There is a great scope for internalities too in the development of industrial sector e.g. technology, labour and inputs, good management and supervision, division of labour etc. These factors create output and ultimately maximise the profit, rationalise the costs or improve the productivity.

HISTORICAL BACKGROUND

History of industrialisation process in Nepal begins with the formulation of first Company Act 1936 and with the establishment of Jute Mill in Biratnagar while cottage and small scale industries (CSIs) were developed since ancient mediaeval period and that was a glorious time for the development of handicrafts, and cottage industries. The concept of "Quality" in production, which is becoming a world-wide movement in these days, that was successfully achieved during that period as Kautilya said "Best quality blankets were produced in Nepal at that time" (Bajracharya 2030 BS). A treaty was signed between Nepal and Tibet in 1645 AD (Rawat 1974) that helped to strengthen our monopolised Trans-Himalayan Trade activities since the period of Malla dynasty. This treaty was a milestone towards the industrial development of Nepal. However, the history of modern industrialisation in Nepal can be divided into three periods:

- * 1936 to II World War Period (1950).
- * 1950 to First Plan Period, (1956).
- * 1956 to Ninth Plan Period (1997).

* Mrs. Rama Bashyal is Lecturer in Economics, currently on deputation to Planning Division, T.U. Kathmandu.

The first phase 1936-1950 was a period of rapid industrial development mainly due to the war situation. The scarcity situation created by war, facilities given by the government like custom concessions etc., availability of foreign capital and technology (from India) were some other reasons for industrial development. Usual supply of consumer goods from outside was disturbed. Out of this scarcity condition some industries were established to meet the demand of essential goods like sugar, matches, cotton textile etc.

The second phase 1950 to First plan period was a declining period. The immediate cause of this declination was the end of war and thereby the minimisation of abnormal profit. The other reasons were bad relation between employer and employee, world-wide economic depression and the absence of well-developed network of basic infrastructure, lack of regular supply of rawmaterials, absence of financing institutions etc. The first commercial bank-Nepal Bank Ltd. could do very little support for financing the Nepalese industries at that time.

After the inception of planning in Nepal in 1956, the government started to develop the basic infrastructural network first and establish different type of enterprises. Coming up to the present stage, Nepal has completed eight development plans and is running ninth one. The target and achievement of different periodic plans have been reviewed as follows.

FIRST PLAN 1956-1961 AD (2013-2018 BS)

The third phase begins from the first five-year plan in Nepal. Before the advent of the plan there were altogether nine modern industries as 2 jute mills, 1 cotton mill, 1 sugar mill, 1 plywood, 3 match industry and 1 hydro-electrical company (Thapa 2040). Two important events were occurred in Nepal in the year 1956; establishment of Nepal Rastra Bank and advent of first development plan which could play great role in capital mobilisation and reorganise the industries according to need of the nation.

Though the first plan did not contain any specific target of establishing industries, "production increment and work to the unemployed" constituted as a primary goal. However, encouragement of private savings and investments in productive enterprises and research work in industries were some general objectives of the plan. "Mixed economic system" remained the basic philosophy for carrying out economic activities. Major achievements of the plan were as following:

- Tribhuvan Rajpath linking Kathmandu-tarai-India was constructed.
- First industrial policy 1957 (2014 BS) was declared which was amended many times with the objective of providing facilities and incentives for industry establishment and operation (2018, 2023, 2025, 2030, 2037, 2044 and 2049 BS).
- Industrial policy of 1957 was replaced by a new one under the Industrial Enterprises Act 1961 (2018 BS). Again the policy was amended in 2023

and it classified industries into large, medium and small according to the scale of operation.

- Industrial Development Centre was amended in 2023 and it classified industries into large, medium and small according to the scale of operation.
- Industrial Development Centre was established in 1957 which was later converted into Nepal Industrial Development Corporation (NIDC) in 1959 with the aim of providing financial and technical support for private entrepreneurs.
- Patan and Balaju Industrial Districts were established.

These were the beginnings of some physical and institutional infrastructural development for industry in Nepal. NIDC could provide loan of Rs. 12 lakh, 33 thousands for industrial development at the end of the plan period (Thapa 2040).

SECOND THREE YEAR PLAN 1962/63-64/65) (2019-2022 BS)

The plan gave priority for sugar, cigarette, leather shoes, matches, biscuits etc. Which could reduce unemployment, utilise indigenous raw materials and earn foreign currency. It was a "preparatory or long term perspective plan". It had some programmes e.g. establishment of Industrial Districts for the promotion of small scale industries, provision of financial and technical support to encourage private sector industries and to modernise jute, cotton, matches and sugar industries running in the private sector. Total credit mobilisation from NIDC was Rs. 2 crore, 43 lack during the plan period ((Thapa 2040).

THIRD PLAN 1965-1970 (2022-2027 BS)

As in the previous plans emphasis was given to private sector industries to raise productive capacity of existing enterprises. Plan had a target of establishing five new industrial estates one each at Dharan, Pokhara, Nepalgunj, Chandraghari and Krishnanagar. Only three each at Dharan, Pokhara and Nepalgunj were set up within the plan period. Production target of some important industries i.e. cement, paper etc. was nil. But stainless steel and nylon suitings (industries entirely based on foreign raw materials) were opened and hence making the achievement side totally disappointing. The plan had allocated 17.5 percent of the total plan expenditure for industry, mining and tourism. Out of the total investment Nepal Industrial Development Corporation (NIDC) could invest Rs. 17 crore during the plan period. (MOI 1992).

FOURTH PLAN 1970/71-1974/75 (2027-2032 BS)

During the fourth plan period altogether 205 industries including agro-based, forest-based, mineral-based and other import substituting

industries were approved. NIDC had a target of providing credit and share investment of Rs 13 crore, 32 lakh to establish these industries (NPC 1970.) But in real terms this plan also could prove no better than the previous plans. A few rice and flour mills, cement, beer and a ghee processing plant was installed. Two major achievements of the plan were amendment of Industrial Enterprises Act 2018 BS and the enforcement of New Industrial Enterprise Act 2030 BS. The other achievement was establishment of Industrial Service Centre (ISC) which is presently known as National Productivity and Economic Development Centre (NEPDC) to support technical service for private sector industries e.g. consultancy services, feasibility study, quality control etc.

FIFTH PLAN 19 75/76-1979/80) (2032-2037 BS)

This plan was prepared with some change and shifted its emphasis away from infrastructure development to "people oriented production and maximum utilisation of manpower". Plan had a target of establishing cotton textile mill and a cement factory in government sector. Government had the target to provide Rs. 14 crores of financial resources to NIDC for its lending operations. The total expenditure target from government side was Rs. 50 crores, 10 lakhs. Similarly, Rs. 40-50 crores investment was expected from the private sector (NPC 1975). Achievement side of the plan could not be materialised on real grounds. Productive capacity of existing industries could not be increased due to shortage of electricity supply, bad industrial relations (frequent labour strike) etc. New industries could not be established. Some primary works about cement, paper and pulp, magnetite and rosin and turpentine industry were done (NPC 1975). License for some new industries in private sector was provided as according to the production index of some manufacturing industries. Annual industrial production was increased by 6.7 percent within the plan period (NPC 1975).

SIXTH PLAN 1980/81-84/85) (2037-2042 BS)

Review of existing custom duty, taxation, wage price, license policy and protection for industries with the help of restricted import duty were the major policies for industrial development in the sixth plan period. Total development expenditure of the plan was 33 billion 94 crore. Out of this expenditure, 26 percent (881 crores) was allocated for the industry, mining etc. giving second priority this sector (NPC 1980). The plan comparatively seems quite progressive. Electricity supply was improved due to the completion of two big Hydel Projects; Kulekhani (60 MWs) and Devighat Hydel Projects (14 MWs). Construction work of Hetunda Cement Factory and Bhrikuti Paper Mill (Nawalparasi) was completed. Nepalgunj Paper Mill and Butwal Cotton Thread Industry were on processing. Some

self-sufficient type of industries e.g. tooth-paste, noodles, beer, polythene pipe, aluminium utensils, watch and radio assembling industries, matches, fruit juice processing industries etc. were established in private sector. Some important steps were taken for attracting private investment e.g. Introduction of New Industrial Policy 2037, Industrial Enterprise Act 2038 and Act for Foreign Investment and Technology Transfer 2039. But the production target of some important public enterprises was not satisfactory. The production condition of some enterprises in the first two and half years of the plan is shown in the following Table 1

Table 1
Production Condition Of Some Enterprises

S.N.	Industry	Year of Establishment	Production Achievement percent
1.	Agricultural Tools Factory, Birgunj	1968/69	19.0
2.	Janakpur Cigarette Factory	1964/65	46.0
3.	Bansbari Leather and Shoe Factory	1965/66	-
	a) Material and Leather Refining	-	48.2
	b) Shoes	-	29.3
4.	Birgunj Sugar Factory	1964/65	38.2
5.	Distillery	-	5.2
6.	Harisiddhi Brick and Tile Factory	1969/70	-
	a) Brick	-	23.0
	b) Tile	-	40.0
7.	Bhaktapur Brick Factory	1974/75	33.8
8.	Hetunda Textile Industry	1974/75	30.4
9.	Agricultural Lime Industry	-	9.0
10.	Chemical Lime Industry	-	20.9

Source : Sixth Plan Mid-Term Progress Report, 2039.

The plan had certain policies for private sector industries and it gave more emphasis to smallscale industries. The important policies were :-

- Licensing and financing process was simplified.
- Policies regarding guarantee for domestic/foreign capital investment, import, custom duty etc. was revised.
- Research and consultancy works by Industrial Service Centre (ISC) would be provided.
- In total 159 industries (excluding cottage industries) in private sector e.g. light engineering goods, textile; housing and construction, health materials etc. would be promoted.
- Foreign commercial banks (Nepal Indo-Suez Bank Ltd. Grynclays Bank Ltd. Nepal Arab Bank Ltd. (Bank of Dubai). and City Bana of America) would be established.

Establishment of Udayapur Cement Factory, Nepalgunj Paper Mill, Kailali Rosin and Turpentine Industry, Lumbini Sugar Mill, Integrated Textile Industry (Nepalgunj) were some important targets in the plan period. Similarly, increment of annual production by 12.7 percent and GDP share of this sector by 6 percent were the physical targets of the plan. Out of total development expenditure, Rs. 74,174/- million, Rs. 4,539/- million was allocated for industry and mining at the constant price of 1991/92. That was 6.1 percent out of total development expenditure (NPC 1992).

Implementation of new Industrial Enterprises Act, 1987 (2044BS) was one of the important performances of the plan. The production of readymade garments and woollen carpets made significant contribution in foreign exchange earning. The production growth of leather shoes, detergent, plastic goods, paper, synthetic clothes, sugar, beer, cements, polythene pipe etc. seemed very positive. Some expansion works in Patan, Pokhara, Dhankuta and Surkhet Industrial Estates were performed. Construction works of Bhrikuti Paper Mill and Lumbini Sugar Mill was completed. Three foreign commercial banks-Nepal Indosuez, Nepal Gyrndlays and Nepal Arab Bank Ltd. were established within the plan period. Five large-scale industries were established in government sector. They were Udayapur Cement Factory, Nepalgunj Paper Mill, Kailali Rosin and Turpentine Industry, Butwal Cotton Thread Industry and Integrated Textile Industry (Nepalgunj).

Average production capacity of public sector industries during the plan period was 64.8 percent. While the production of Birgunj Sugar Mill and Jankpur Cigarette Factory had exceeded the target (NPC 1992). The capacity utilisation of 35 industrial units measured in one FY 88/89 also shows the range between 60 to 31 percent or less than this. These include major industrial groupings and outside the major industrial groupings. The following Table 2 shows the percentage capacity utilisation by industrial group.

Table 2
Capacity Utilisation

S.N.	Industry	Capacity Utilisation by Industry percent
1.	Cigarettes, bricks and tiles, beer, cement match, drycellbattaries, and noodles.	60 and above
2.	Jute goods, sugar, agricultural implements, foam mattress	50-59
3.	Iron rods, tea, polythene pipes, vegetable ghee, corrugated sheets, animal/poultry feed etc.	32-49
4.	Cotton and synthetic shoes (canvas and rubber shoes etc.) Plywood, strawborad, plastic utensil, Acs wires, catechue etc.	31 or less

Source: MOF Economic Survey, 1990

Likewise the trend of industrial growth rate also seems very fluctuating-sometimes a high growth and sometimes a sharp decline. Percentage industrial growth rate of three Fys taken on the basis of annual production index during the plan period is shown on the following table :- Likewise the trend of industrial growth rate also seems very fluctuating-sometimes a high growth and sometimes a sharp decline. Percentage industrial growth rate of three Fys taken on the basis of annual production index during the plan period is shown in the Table 3.

Table 3
Industrial Annual Growth Rate

Year	Annual Growth Rate (Base Year 1974/75)
1985/86	18.7
1986/87	29.2
1987/88	4.5

Source : MOF, Economic Survey 1990.

But, most of the industrial units listed in Table 2 were running below their production capacity. Therefore, the seventh plan realised that most of the public sector industries were not commercially viable as expected and they were aimed to be privatised on phasewise basis with some suitable modaties. Out of 23 public sector industries reviewed for their financial status, only seven were running in profit. (SNPC 1992).

EIGHTH PLAN (1992-997) (2049-2054 BS)

Eighth plan of Nepal was introduced after the restoration of democracy in 1989 (2046 BS) that gave emphasis for private domestic/foreign investment in the Nepalese industries on the basis of

efficiency and comparative advantage. Industrial Policy 1992, Industrial Enterprise Act and Foreign Investment and Technology Transfer Act 1992 and formulation of Environmental Pollution Act were some of the important policies of the plan. Similarly, from 8th plan onward industrial activities would be divided into five sub-sectors for implementation and coordination of industrial sector programmes. Foreign investment and one window system is included in the new industrial policy to provide facilities and concession for industries from a single place. This is included under the Industrial Enterprise Act 1992. The new policy has stratified industries into four levels as following.

Cottage Industries

That could be settled with a fixed asset of upto Rs. two hundred thousand (2 lakhs only) small Scale Industries: Industries with a fixed asset of up to an amount of Rs. thirty million (3 crores) are categorised in this level.

Medium Scale Industries

Industries with a fixed asset between thirty to one hundred million (Rs. 3 crores to 10 crores) are categorised under this level.

Large Scale Industries

Industries with a fixed asset between thirty to one hundred million (Rs. 3 crores to 10 crores) are categorised under this level.

Large Scale Industries: Industries with a fixed asset of more than one hundred million Rs. (more than 10 crores) fall under this category.

MAJOR NATIONAL POLICIES IN EIGHTH PLAN PERIOD

- Plan gave improvement in production and productivity as in the form of campaign.
- Plan encouraged foreign investment with a liberal, transparent and sustainable policy that could solve the problem of lacking necessary resource and technical know-how for industrial development.
- Plan undertook the policy of "privatisation and public enterprises reform" as a necessary step.

Up to this plan period, there were 62 different state owned enterprises (SOEs) in Nepal and they were not functioning efficiently. Such enterprises were to be analysed and privatised in a phasewise basis. Plan targeted the broad policy guidelines regarding privatisation. A Privatisation Bill 2050 was promulgated by parliament for programme

regulation. Accordingly, three manufacturing SOEs were privatised with certain modalities a methods as follows :

- Bansbari Leather and She Factory Ltd. (to a foreign investor)
- Bhrikuti Paper Mill Ltd. (to a Joint venture company) and
- Harisiddhi Brick and Tile Factory Ltd. (to a group of Local investors)

Regarding the productivity improvement, the role of National Productivity and Economic Development Centre (NPEDC) (former ISC) was increased. This Centre was established in 1994 as a service institution or National Productivity Organisation of Nepal (NPO). And it is supposed to cooperate with various agencies for productivity enhancement in different sectors of the economy.

MAJOR PHYSICAL TARGETS IN EIGHTH PLAN

- Average estimated growth rate of industrial output would be 12.4 percent..
- Contribution of industrial sector to total national production would be 8.5 percent.
- Employment generation would be about 3,95,000 with additional employment of 1,81,000 by the end of the plan.
- Estimated investment would be around Rs. 15,000/- million at the constant price of 1991/92 in industry and mining sector (NPC 1992.)
- Export from textile would be the highest costing of Rs. 15,630 million among the five subsectors i.e. Food, Beverage and Tobacco sub-sector. Textile and Garment sub-sector. Chemical sub-sector. Mechanical Engineering sub-sector. Electrical and Electronic sub-sector (NPC 1992).

The total development expenditure of the plan was Rs. 1,13, 479 million at 1991/92 constant prices. Out of this the share of expenditure in industry and mining was Rs. 2245 million or 2.0 percent giving this sector less priority from expenditure aspect.

Achievement side of the plan in real terms seems more in numerical strength rather than in actual production growth. Average growth rate in industrial production during the plan period remained 5.23 percent as against the target of 12.4 percent (NPC 1997). Contribution of industry, mining etc. in GDP was 9.22 percent by the end of the plan. Total number of approved and registered projects for foreign investment reached more than 300 and total investment in these projects was Rs. 42 billion. Among these projects 60 percent are related with manufacturing, 20 percent with tourism and 13 percent with social service industries. Total investment of commercial banks and NIDC was Rs. 2470.34 crore and Rs. 189 crore

respectively during the plan period (NPC 1997). Similarly, increment in the volume of domestic/foreign private investment, number of industries registered and number of licenses issued and status of joint venture industries seems quite positive in the plan period.

Regarding facilities and incentives for industries, concessional custom rate and sales tax exemption, income tax exemption for manufacturing industries, excise duty rebate and refund, the condition is quite improving. Industries established and operating in remote and underdeveloped regions get 30 percent excise duty refunded against the payment of such tax and duty (NPC 1997). Technical advisory/consultancy services through National Productivity and Economic Development Centre (NPEDC) have been providing to firm level and national level industries.

NINTH PLAN 1997-2002 (2054-2059 BS)

Plan has emphasised to low costing economic structure with the developmetn of essential infrastructures as transportaion, electricity, communication etc. Main objectives of the plan are:

- Diversify the industrial production and domestic/foreign market with adequate provision of incentive and facilities for private sector.
- Identify the goods to be produced, which have comparative advantage and competitive capacity in international market.
- Increase income and purchasing capacity of rural people by creating additional nonagricultural employment opportunities with the development of small enterprises. To fulfil this objective MO/HMG/Nepal and UNDP is launching a Micro Enterprise Development Programme (MEDEP) with long term vision of "Poverty Alleviation and Employment Generation". The programme will be implemented in a phased manner in 10 districts five from hill and five from tarai.

MAJOR PHYSICAL TARGETS OF THE PLAN

Average estimated growth rate of industrial output would be 11-16 percent for the attainment of 6 percent economic growth rate. To fulfil this target 17 percent saving rate and 25 percent investment out of total GDP is essential. During 9th plan period, total 35 billion Rs. would be invested in industries with 7 billion Rs. annually from domestic and foreign investments. By fulfilling this target, additional 3,50,000 employment will be created and contribution of industrial sector to GDP wil reach up to 14 percent by the end of the plan (NPC 1997).

CURRENT STATE OF NEPALESE INDUSTRIES

Since the inception of planning in Nepal, number of industries registered has increased. Lot of investments has been made by different financial institutions. Since 1936 to 1995 the total number of industries established in private sector reached to 71, 405 and more than 137 type of goods are produced. More than 1 trillion, 18 billion, 17 crores and 32 lakhs rupees has been invested for industrial development during this period. Out of this investment, NIDC, commercial banks, Agricultural Development Bank (ADB/N) and Provident Funds total credit mobilisation is more than Rs. 65 billion and 56 crores (Newpane 1997). In spite of such expenditure with a long planned efforts, the economy is still largely dependant on agriculture and industrialisation could not contribute effectively in national economy.

Contribution To GDP

The share of manufacturing industries in GDP is hardly about 10 percent currently while it was 6 percent in 1988/89. If we exclude cottage and small scale industries (CSIs), the contribution of large scale industries in GDP remains negligible.

Structural Composition

Food processing and oil mills held a dominant position in our structural composition of industries in 1972 according to a study of Nepal Rastra Bank. Industrial census of 1986/87 also shows that out of the total number of industries 60 percent is occupied by food processing, textile related and brick industries. Similarly these industries occupied 52 percent of the total production and 47.2 percent total value added. Whereas the percentage occupied by other industries like soap, paper etc. was very low. It means we are producing and exporting those goods which have low value and import those goods which have high value making our trade position more unvafourable. The 8 census Report 1996-97 (National Level) also shows that manufacture of carpets and rugs, grain mill products, sawmilling and planning of wood etc. cover the highest number out of the total running 3557 manufacturing industries in the country (CBS 1997).

Capacity Utilisation

Industrial survery of Nepal Rastra Bank 1977 revealed that the most of the industries were running below production capacity except cigeratte and *biri* factories. Out of 162 industries only 33.6 percrnt were running with more than 70 percent capactiy utilisation. And the reason for this was found as lack of raw materials, marketing problem, lack of capital and availability of facilities and incentives mentioned in the policy document. Most of the manufacturing industries till these days are running

below capacity utilisation. In FY 1995/96 industries having highest capacity utilisation (83-87 percent) were cigarette, noodles, tanned leather etc. whereas other important industries like jute, shoes plastic goods were running as below 40 percent production capacity. The capacity utilisation of some important industries is shown in Table 4

Table 4
Capacity Utilisation Of Some Important Industries

S. N.	Kind Of Industries	Capacity Utilisation Percent		1995/96	
		80/81	95/96	Estimate Employment	Number Of Industries
1.	Tanned leather	NA	87.0	579	6
2.	Cigarette	40.0	86.0	3561	4
3.	Noodles	NA	83.0	631	6
4.	Yarn (Wool clothes)	NA	83.0	977	4
5.	Sugar	63.0	70.0	4571	6
6.	Beer	109.3	58.0	560	5
7.	Mathces	53.0	55.0	1513	10
8.	Cement	60.0	62.0	2781	6
9.	Jute goods	67.0	36.0	5431	3
10.	Plastic goods	NA	33.0	2629	14
11.	Brick	85.0	51.0	2257	8
12.	Shoes (Leather and sports)	68.0 (Leather)	21.0	189	3

Source : FNCCI 1998, Thapa 2040 BS.

Employment, Capital Assets And wage/Salary Condition

Total human resource engaged in manufacturing establishments were 86,000 (1.9 percent) out of the total population in 2018 BS (1962/63) whereas this figure declined to 52,000 (1.1 percent) in 2038 (1981 AD). The total number of establishments (defined as a manufacturing establishments with 10 or more persons engaged) and total persons engaged throughout the country was 2334 and 1,44,925 respectively in the FY 1988/89. In the same way, the census report of manufacturing establishments of 1996/97 has given the number of total establishments and the number of total employees as 3557 and 187316 respectively. And the total asset is Rs. 26491945 thousands and total wage and salary is Rs. 4058069 by the end of 1997. Out of the total establishments, 97.55 percent are private ownership type and only 1.01 percent are government ownership type of industries (CBS 1996/97).

FOREIGN INVESTMENT AND TECHNOLOGY TRANSFER (FITT)

The FITT Act 1992 has set up some rules governing foreign investment and its application. The Act has been ammended for the first time in 1996 with the aim of making industrial investment environment more suitable, encouraging and transparent. Nepal has encouraged foreign investment as joint venture operations with Nepalese investors or as 100 percent foreign owned enterprises. Total number of approved projects for foreign investmetn and technology transfer, total amount of investment and the total number of employment in these projects up to mid April 1996 (Chaitra 2052) is given in Table 5.

Table 5
Total Number As Approved Projects For Foreign Investment And Technology Transfer

S.N.	Classification of Industries (Areas For Foreign Investment)	Total Number	Foreign Investment (Rs in million)	Employment
1.	Manuagcturing	186	4199	36735
2.	Energy-based	4	1808	3912
3.	Agro-based	9	73	738
4.	Mineral-based	2	46	1111
5.	Tourism	61	1613	8118
6.	Service	36	1332	4064
7.	Construction	3	22	525
	Total	301	9093	55203

Source: NPEDC 1996/97.

CONCLUSION

- Limited productive capacity is one of the major problems of Nepalese industries that has made our total percentage of export less than the total percentage of import among SAARC and outside the SAARC countries. For example our exports as percentage of GDP in 1995 was 8.3 whereas import as percentage of GDP in the same year was 32.6 (FNCCI1998). Regarding this problem, generally two types of issues can be identified. Firstly, the capacity utilisation of the existing industrial plant is less than their actual production capacity due to lack of resources, capital, good management etc. Secondly, there is no balance between the outputs and imputs ratio of the industries which we spell as "productivity improvement". Our industries mostly should focus in balancing this ratio and expanding outputs both qualitatively and quantitatively thereby utilising the existing resources more productively. Moreover, human issues are very important

factors for an enterprise to maximise volume of production and productivity. Such issues are being neglected in most of our factories or industries. Effective communication and dialogue between employers and employees, goal-setting, and feed back and participation in decision making are some of the sensitive human issues that should be given more emphasis for productivity improvement in the real sense rather than technical and other factors.

There is great contradiction between our industrial policy and foreign trade policy specially with India. India has remained the single largest trade partner of Nepal which is relatively big and developed country of the region. The geographical condition also is not favourable for our industrial environment. Nepal is not only landlocked country but it is India locked as three sides of the country is surrounded by India. Most of the cotton textile industries of Morang District have become great sufferer due to this free and open boarder position of Nepal. And it has been creating marketing problems for Nepalese goods in Indian as well as domestic market. Cheaper and quality Indian cotton goods are entering into our market. Moreover, foreign goods are imported in excessive quantity in Nepal to solve the problem of consumer goods without considering the existance of domestic industries. These are some of the physical, economical and psychological problems for the Nepalese industries.

SELECTED REFERENCES

- Bajracharya, Dhanabajra (2030 BS) *Lichhavigalka Abhilekh*, Centre for Nepal and Asian Studies (CENAS), Kathmandu.
- FNCCI (1998) *Nepal and the World: A Statistical Profile*, Federation of Nepal Chambers of Commerce and Industry, Kathmandu.
- MOF (1992) *Economic Survey, 1997/98*, Ministry of Finance HMG/Nepal, Kathmandu.
- MOI (1992) *Industrial Policy 1992*, Ministry of Industry, HMG/Nepal, Kathmandu.
- NPC (1956, 1962) *The First and the Second Plan*, National Planning Council, Government of Kathmandu, Nepal.
- (1965-1997) *The Third Plan 1965-1970 to the Ninth Plan 1997-2002*, HMG/Nepal, Kathmandu.
- CBS (1991) *Statistical Year Book of Nepal*, CBS, National Planning Commission HMG/Nepal, Kathmandu.
- CBS (1997) *Census of Manufacturing Establishments 1996/1997 (National Level)*, CBS/NPC, Kathmandu
- NPEDC (2053) *National Productivity Council and Its Policy*, National Productivity and Economic Development Centre Ltd., Balaju, Kathmandu.

- (1996, 1997): *Productivity and Development*, Vol. 3 No. 2 and 3, National Productivity and Economic Development Centre Ltd., Balaju, Kathmandu.
- Newpane, Bhim (1997) "Problems of Industrial Development in Nepal and Future Strategy" *The Economic World* Vol. 05, No. 06, (Nepali edition) Kathmandu.
- Rawat, P.C. (1974) *Indo-Nepal Economic Relations*, Nationals Delhi, India.
- Shrestha, B.P. (1981) *An Introduction to Nepalese Economy* Ratna Pustak Bhandar, Kathmandu.
- Thapa, Govinda (2040). "Industrial Development in Nepal" *Nepali Arthasahitya* (Nepali edition), Vol. 3, Prithivi Narayan Campus, Pokhara.
- TPC (1997): *Nepal Trade Bulletin*, Vol. 26, Trade Promotion Centre, Kathmandu.