

Provincial Status of Economic Activities in Nepal

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Abstract: *Economic activities create multiplier effects on all dimensions of human society. To assess the status of economic activities of Nepal at provincial level and to identify prospects of the dispersion of economic activities at provincial level, this article is prepared as the title 'provincial status of economic activities in Nepal'. It is mainly based on the secondary data of Nepal Economic Census-2018. Information regarding objectives was collected through various search engines by simple literature review. The status of economic activities is found unequal at provincial level in Nepal. Among eighteen groups of economic activities, Bagmati province is in top-most position followed by province-1 and province-5. Financial sustainability is the common concern in Nepal due to the costly federal system. Unscientific division of provinces, inequitable distribution of resources, miserable condition of infrastructure, ineffective tax policy creates complex problems even to operate economic activities in a proper and effective manner. Without balanced development of economic activities and economic prosperity, federalism may not be sustained. Different economic measures supporting to disperse the economic activities from central to federal and local areas such as economic policy, Budget, Fiscal policy, subsidiary policy, tax policy should be prepared and implemented without any delay. To meet national commitment 'Prosperous Nepal, Happy Nepali' and to fulfill the target of sustainable development goals, it is essential to perform effective joint efforts of all concerned authorities as soon as possible with the visionary and coordinating leadership of the federal government.*

Keywords: economic activities, province, balanced development, dispersion, federalism

1. Introduction

All activities related with production, distribution, marketing, and sales of goods or services are referred to as economic activities. That is the activities which are carried out for profit or own consumption. Such activities will contribute to the value added to the national production. (CBS, 2020). It is mandatory to produce, distribute and consume resources across all provinces without any discrimination. Economic activities determine the level of production, distribution and consumption of goods and services. The location of establishment and total unit of economic activities play determinants for the economic status of the province.

Federalism is a device to harmonize the sentiments of autonomy without affecting the unity of the state. National affairs are managed by the center while local interests are administered by the provincial government. (Khalid, 2013). Federalism is a new system of government practicing in Nepal. Nepal has a long history of a unitary system of government. Unitary system made an effort to achieve balance and proportional development via regional development mechanisms. That effort results in less and limited only in theory but not in practice. Federal system was raised against low levels of economic activities, economic stagnation, unemployment, poverty, unbalanced development etc. Politically, Nepal experienced various systems and revolutions. Economic revolution should be the agenda of this generation. The economic success of Nepal is largely dependent on the economic success of its seven provinces. The harmonious relation between centre and local as well as among provinces is mandatory politically and economically for the overall development of the nation. Now, it's time to review our course of development through the minute assessment of economic activities in terms of provincial perspective.

Federalism is a way of ensuring the wider distribution of public resources through revenue sharing and other forms of

fiscal arrangements that guarantee an agreed share of resources to all areas of a country. Federalism may also encourage more geographically diverse economic and social development, in contrast to a unitary state where everything such as money, power, culture etc gravitates to the capital (Bulmer, 2015). Province must be developed as the gravity centre of economic and political power. Provinces should be the engine of economic growth.

A unitary state has a pyramid structure, whereas a federation bears a star-shaped structure (Bataveljic, 2012). Maintaining multiple levels of government is expensive. More public institutions means higher costs for offices, staff, salaries and allowances, and meeting these costs may place a heavy burden on the treasury of a less economically developed country (Bulmer, 2015). The coordination between the three levels of government must be smooth and supportive for provincial and local governments to strengthen their capacity to manage all economic affairs. Capacities and responsibilities of provincial or local institutional bodies create the favorable opportunity for large numbers of people to participate in public affairs and create opportunities to enhance economic activities. Lack of an effective mechanism for revenue sharing, federalism can lead to increased inequality between sub national units because of their different natural resources or other revenues or levels of development. Federalism may also cause a widening disparity of outcomes in terms of the provision and quality of public services (Bulmer, 2015). Federalism has a wide range of agenda. It should guarantee the overall development of all sections of people. Development should be balanced and proportional in terms of provincial situation. Provincial and local government is called a "states within the state". It means there are multiple governments in a federal country. The prime concern of multiple governments is to create socio-economic welfare. Establishment of economic activities and its effective operation promote economic development. To establish and distribute economic activities all over the country requires will power of government and continuous pressure of

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people. Thus it is essential to aware people about the exact provincial situation of economic activities comparatively. Economic activities are the backbone of a province. Employment generation, revenue generation, Management of goods and services are the base of development and prosperity, which are achieved through economic activities. By considering the availability of raw materials, the situation of human resources, and demand of the market, economic activities must be established throughout the country. Federal government, provincial government and local government jointly work to disperse economic activities and achieve balanced development. Various research activities must be done to discover the effective design and implementation mechanism to distribute economic activities equally in provinces. Dispersion of economic activities expands a growing process of economic development. By opening new economic institutions in varying geographical locations, it releases the fullest potential of the economic activities and can react easily to local requirements. This study may encourage the concerned authority to formulate proper plan and policy regarding the expansion and development of economic activities in balanced form.

2. Objectives

The study is based on the following two objectives: 1) to assess the status of economic activities of Nepal in provincial level. 2) to identify prospects of the dispersion of economic activities in provincial level.

3. Material and Methods

Central Bureau of Statistics (CBS) is the central governmental agency for the collecting, processing, analyzing, publishing and disseminating various data and information. It is under the National Planning Commission Secretariat of Nepal and serves as a national statistical organization of Government. By conducting censuses and surveys, it generates timely, reliable and valid statistics of multiple dimensions. The first National Economic Census (NEC) of Nepal was conducted from 14 April to 14 June 2018 in all over the country. This study is mainly based on the secondary data of Nepal Economic Survey (NEC-2018). Data source of this study fully depends on it. Information regarding objectives was collected through various search engines by simple literature review. Analysis is done descriptively through the use of tables and figures.

4. Result and Discussion

The International Standard Industrial Classification of All Economic Activities (ISIC) consists of a coherent and consistent classification structure of economic activities based on a set of internationally agreed concepts, definitions, principles and classification rules. In practice, the classification is used for providing a continuing flow of information that is indispensable for the monitoring, analysis and evaluation of the performance of an economy over time. It is increasingly used also for administrative purposes, such as in tax collection, issuing of business licenses etc. (United Nations, 2008). It is imperative to conduct an economic

census covering all establishments conducting different sectors of economic activities as mentioned in ISIC revision 4 in order to know the real picture of the Nepalese economy (CBS, 2020).

4.1. Agriculture, Forestry and Fishing

In the Economic Census 2018, only the agriculture, forestry and fisheries establishments registered at government agencies have been considered as economic activities (CBS, 2020). According to Fig-1, 29% economic activities related to this section are established in Bagmati province followed by province-1, province-5 and Gandaki province. The situation of province -2, Karnali province and sudur pashchim province is back warded in this field. Bagmati province has 6 fold more establishment than province-2 in this field, although the probability is very high in province-2.

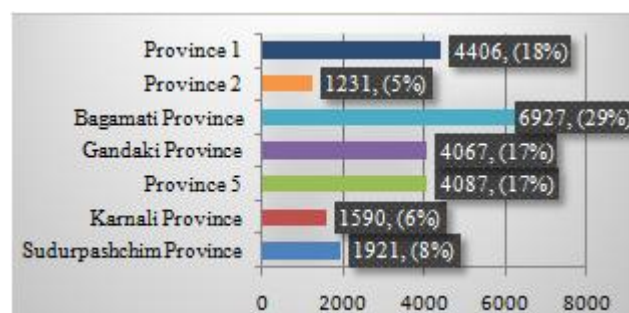


Figure 1: Number and percentage of establishments by province (agriculture, forestry and fishing industry).

(Data source: NEC-2018).

4.2. Mining and Quarrying

It includes the extraction of minerals occurring naturally as solids (coal and ores), liquids (petroleum) or gases (natural gas). These activities also include supplementary activities aimed at preparing the crude materials for marketing, for example, crushing and grinding, cleaning, drying, sorting, concentrating ores, liquefaction of natural gas and agglomeration of solid fuels (CBS, 2020). According to Fig-2, 41% economic activities related to this section are established in Bagmati province followed by sudur pashchim province, province-5 and Gandaki province. The situation of, Karnali province, province -2 and province-1 are back warded in this field. Bagmati province has 33 fold more establishment than Karnali province in this section of industries.

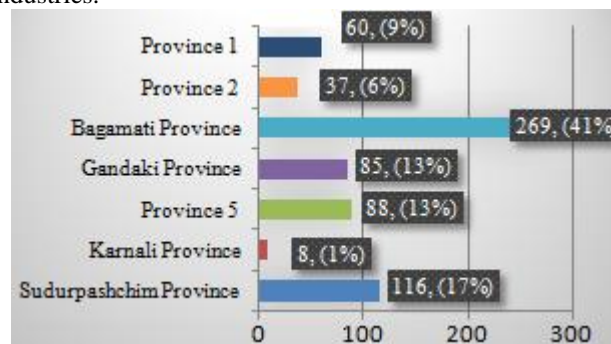


Figure 2: Number and percentage of establishments by province (mining and quarrying industries).

(Data source: NEC-2018).

4.3. Manufacturing

It includes the physical or chemical transformation of materials, substances or components into new products. Substantial alteration, renovation, or reconstruction of goods is generally combined to be manufacturing (CBS, 2020). According to Fig-3, 31% economic activities related to this section are established in Bagmati province followed by province-1, province-5, and province-2. The situation of Karnali province, sudur pashchim province and Gandaki province is back warded in this field. Bagmati province has 7 fold more establishment than Karnali province in this section of industries.

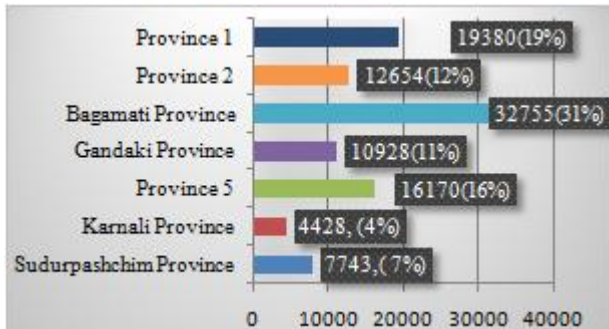


Figure 3: Number and percentage of establishments by province (manufacturing Industry). (Data source: NEC-2018).

4.4. Electricity, gas, steam and air conditioning supply

It includes the activity of providing electric power, natural gas, steam, hot water and the like through a permanent infrastructure of lines, mains and pipes. This section includes the operation of electric and gas utilities, which generate, control and distribute electric power or gas. It also included the provision of steam and air-conditioning supply (CBS, 2020). According to Fig-4, 26% economic activities related to this field are established in Bagmati province followed by province-1, Gandaki province and Sudur pashchim province. The situation of province -2, Karnali province and province-5 is back warded in this field. Bagmati province has 32 fold more establishment of this group of industries than province-2.

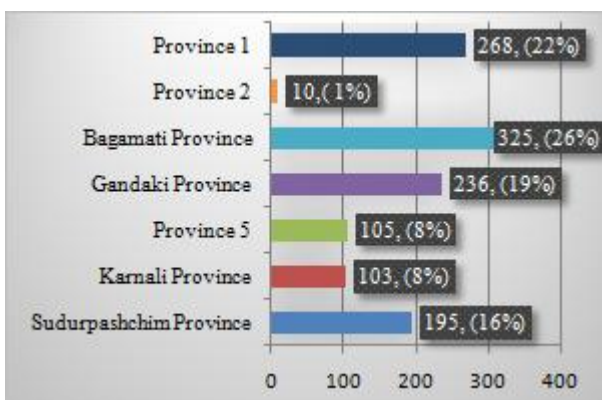


Figure 4: Number and percentage of establishments by province (electricity, gas, steam and air conditioning supply industry). (Data source: NEC-2018).

4.5. Water supply, sewerage, waste management and remediation activities

It includes activities related to the management (including collection, treatment and disposal) of various forms of waste, such as solid or non-solid industrial or household waste, as well as contaminated sites. Activities of water supply are also grouped in this section, since they are often carried out in connection with, or by units also engaged in, the treatment of sewage (CBS, 2020). According to Fig-5, 41% economic activities related to this section are established in Bagmati province followed by Gandaki province, province-1 and province-5. The situation of, Karnali province, sudur pashchim province and province -2 is back warded in this field. Bagmati province has 13 fold more establishments of this section of industries than Karnali province.

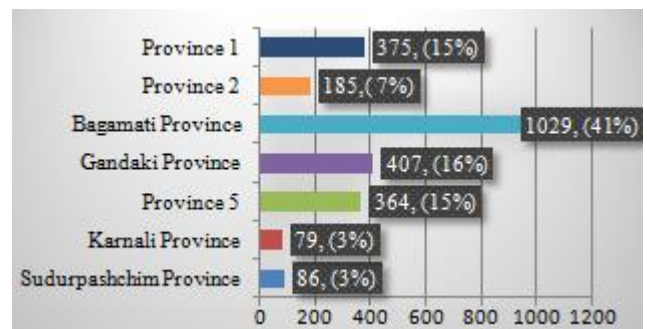


Figure 5: Number and percentage of establishments by province (water supply, sewerage, waste management, and remediation activities industry). (Data source: NEC-2018).

4.6. Construction

Construction section includes general construction and specialized construction activities for buildings and civil engineering works. It includes new work, repair, additions and alterations, the erection of prefabricated buildings or structures on the site and also construction of a temporary nature (CBS, 2020) According to Fig-6, 34% economic activities related to this section are established in Bagmati province followed by province-1, Gandaki province and sudur pashchim province. The situation of, Karnali province, province -2 and province-5 is back warded in this field. Bagmati province has 5 fold more establishment of this group of industries than Karnali province.

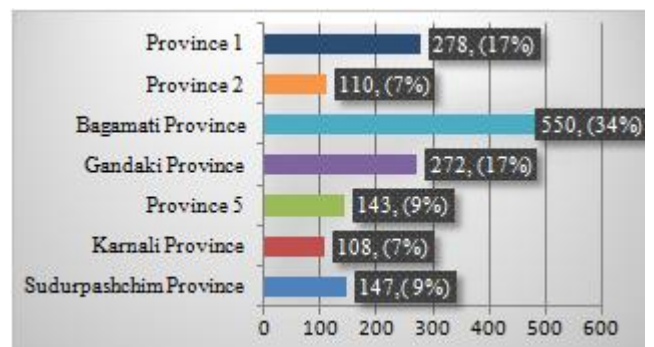


Figure 6: Number and percentage of establishments by province (construction industries). (Data source: NEC-2018).

4.7. Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles

It includes wholesale and retail sale of any type of goods and the rendering of services incidental to the sale of these goods. Wholesaling and retailing are the final steps in the distribution of goods. Goods bought and sold are also referred to as merchandise. Also included in this section are the repair of motor vehicles and motorcycles (CBS, 2020). According to Fig-7, 29% economic activities related to this section are established in Bagmati province followed by province-1, Province-5 and province-2. The situation of, Karnali province, sudur pashchim province and Gandaki province is back warded in this field. Bagmati province has 6 fold more establishment of this group of industries than Karnali province.

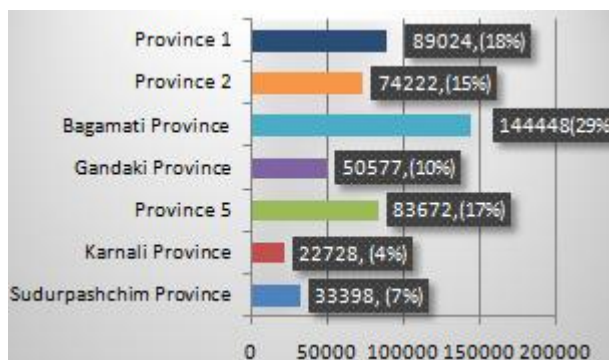


Figure 7: Number and percentage of establishments by province (Wholesale and retail trade industry). (Data source: NEC-2018).

4.8. Transportation and Storage

It includes the provision of passenger or freight transport, whether scheduled or not, by rail, pipeline, road, water or air and associated activities such as terminal and parking facilities, cargo handling, storage, renting of transport equipment with driver or operator, postal and courier activities etc (CBS, 2020). According to Fig-8, 29% economic activities related to this section are established in Bagmati province followed by province-1, Province-5 and Gandaki province. The situation of, Karnali province, sudur pashchim province and province-2 is back warded in this field. Bagmati province has 4.5 fold more establishment of this group of industries than Karnali province.

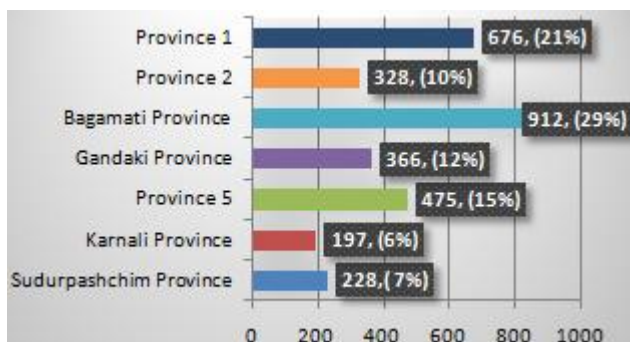


Figure 8: Number and percentage of establishments by province (transportation and storage industry). (Data source: NEC-2018).

4.9. Accommodation and food service activities (hotel and restaurant)

It includes the provision of short-stay accommodation for visitors and other travelers and the provision of complete meals and drinks fit for immediate consumption (CBS, 2020). According to Fig-9, 36% economic activities related to this section are established in Bagmati province followed by province-1, Province-5 and Gandaki province. The situation of, Karnali province, sudur pashchim province and province-2 is back warded in this field. Bagmati province has 7.5 fold more establishment of this group of industries than Karnali province.

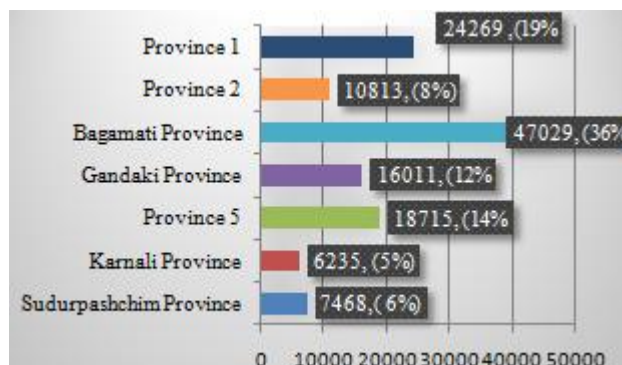


Figure 9: Number and percentage of establishments by province (accommodation and food service activities industry). (Data source: NEC-2018).

4.10. Information and Communication

This section includes the production and distribution of information and cultural products, publishing activities, including software publishing, motion picture and sound recording activities, radio and TV broadcasting and programming activities, telecommunications activities and information technology activities and other information service activities (CBS, 2020). According to Fig-10, 48% economic activities related to this section are established in Bagmati province followed by province-1, Province-5 and Gandaki province. The situation of, Karnali province, sudur pashchim province and province-2 is back warded in this field. Bagmati province has 15 fold more establishment of this group of industries than Karnali province.

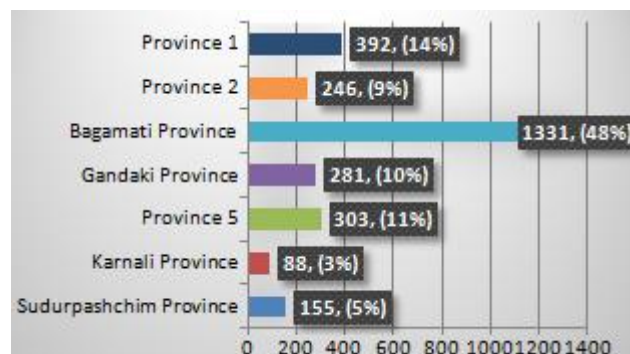


Figure 10: Number and percentage of establishments by province (Information and communication industry). (Data source: NEC-2018).

4.11. Financial and insurance activities

It includes financial service activities, including insurance, reinsurance and pension funding activities and activities to support financial services (CBS, 2020). According to Fig-11, 39% economic activities related to this section are established in Bagmati province followed by province-1, Province-5 and Gandaki province. The situation of Karnali province, sudur pashchim province and province-2 is back warded in this field. Bagmati province has 10 fold more establishment of this group of industries than Karnali province.

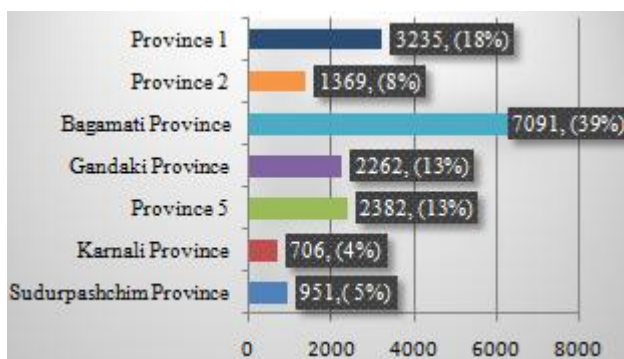


Figure 11: Number and Percentage of establishments by province (Financial and insurance activities industry). (Data source: NEC-2018).

4.12. Real Estate Activities

This section includes acting as agents and brokers in one or more of the following: selling or buying real estate, renting real estate, providing other real estate services such as appraising real estate or acting as real estate escrow agents (CBS, 2020). According to Fig-12, 60% economic activities related to this section are established in Bagmati province followed by province-1, Province-2 and Gandaki province. The situation of Karnali province, sudur pashchim province and province-5 is back warded in this field. Bagmati province has 62 fold more establishment of this group of industries than Karnali province.

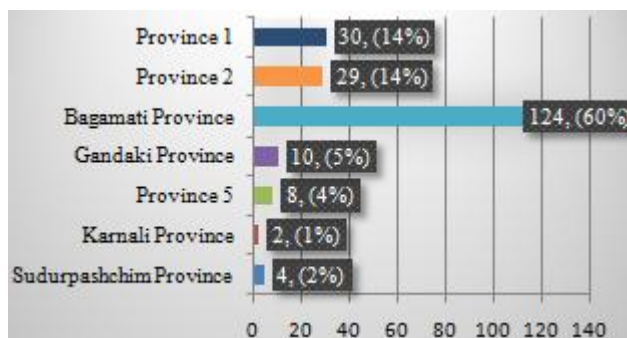


Figure12: Number and Percentage of establishments by province (Real estate activities industry). (Data source: NEC-2018).

4.13. Professional, Scientific and Technical Activities

It includes specialized professional, scientific and technical activities. These activities require a high degree of training, and make specialized knowledge and skills available to users (CBS, 2020). According to Fig-13, 37% economic

activities related to this section are established in Bagmati province followed by province-1, Province-5 and Province-2. The situation of Karnali province, sudur pashchim province and Gandaki province is back warded in this field. Bagmati province has 12 fold more establishment of this group of industries than Karnali province.

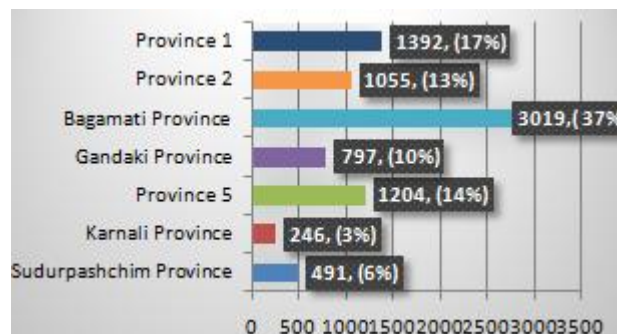


Figure 13: Number and Percentage of Establishments by province (Professional, scientific and technical activities industry). (Data source: NEC-2018).

4.14. Administrative and support service activities

It includes a variety of activities that support general business operations. These activities differ from those in the section of Professional, scientific and technical activities, since their primary purpose is not the transfer of specialized knowledge (CBS, 2020). According to Fig-14, 49% economic activities related to this section are established in Bagmati province followed by province-1, Province-5 and province-2. The situation of Karnali province, Sudur pashchim province and Gandaki province is back warded in this field. Bagmati province has 31 fold more establishment of this group of industries than Karnali province.

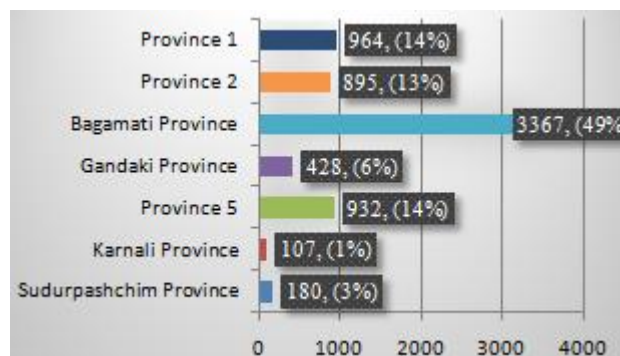


Figure 14: Number and Percentage of establishments by province (Administrative and support services industry). (Data source: NEC-2018).

4.15. Public administration and defense; compulsory social security

It includes activities of a governmental nature, normally carried out by the public administration, such as Legislative activities, taxation, national defense, public order and safety, immigration services, foreign affairs and the administration of government programs, compulsory social security activities. In the NEC 2018, the activities under this section have not been covered (CBS, 2020)

4.16. Education

It includes public or private education at any level or for any profession, oral or written as well as by radio and television or other means of communication. It includes education by the different establishments in the regular school system at its different levels as well as adult education, literacy programs, religious education (madrashas), technical education, computer education, professional coaching centres, training centres, military schools and academies, prison schools etc (CBS, 2020). According to Fig-15, 24% economic activities related to this section are established in Bagmati province followed by province-1, Province-5 and Gandaki province. The situation of, Karnali province, province-2 and sudur pashchim province is back warded in this field. Bagmati province has 3 fold more establishment of this group of industries than Karnali province.

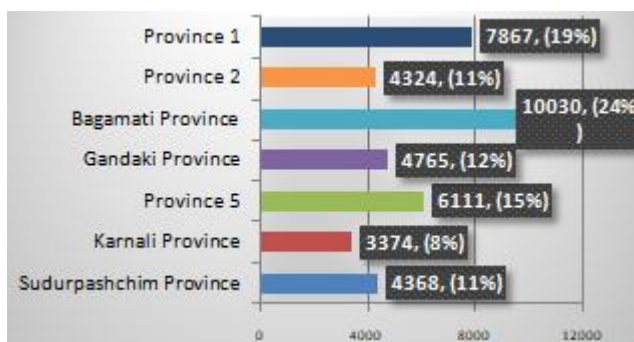


Figure 15: Number and percentage of establishments by province (education industry). (Data source: NEC-2018).

4.17. Human health and social work activities

It includes the provision of health and social work activities. It includes a wide range of activities, starting from health care provided by trained medical professionals in hospitals and other facilities, over residential care activities that still involve a degree of health care activities to social work activities without any involvement of health care professionals (CBS, 2020). According to Fig-16, 25% economic activities related to this section are established in Bagmati province followed by province-1, Gandaki province and Province-5. The situation of Karnali province, province-2, sudur pashchim and province-2 is back warded in this field. Bagmati province has 4 fold more establishment of this group of industries than Karnali province.

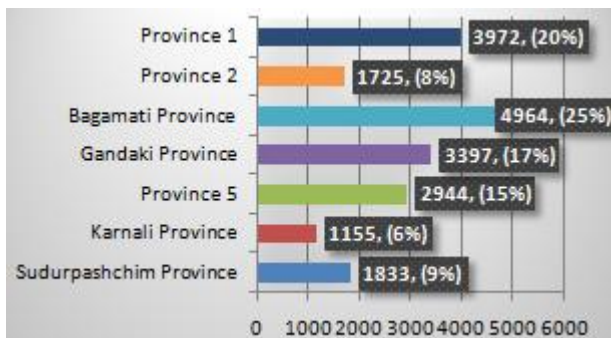


Figure 16: Number and percentage of establishments by province (Human health and social work activities industry) (Data source: NEC-2018).

4.18. Arts, entertainment and recreation

Arts, entertainment and recreation section includes a wide range of activities to meet varied cultural, entertainment and recreational interests of the general public, including live performances, operation of museum sites, gambling, sports and recreation activities (CBS, 2020). According to Fig-17, 48% economic activities related to this section are established in Bagmati province followed by province-1, Gandaki province and province-5. The situation of Karnali province, sudur pashchim province and province-2 is back warded in this field. Bagmati province has 30 fold more establishment of this group of industries than Karnali province.

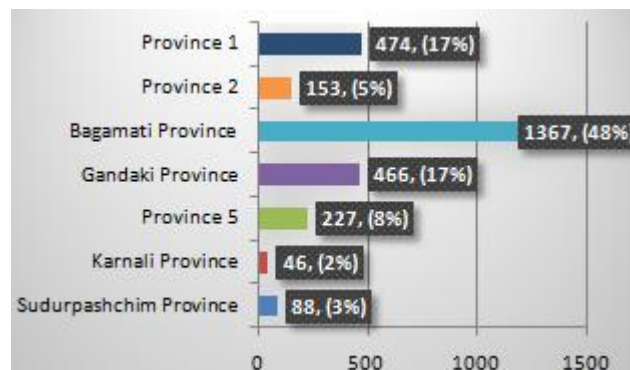


Figure 17: Number and percentage of establishments by province (Arts, entertainment and recreation industry) (Data source: NEC-2018).

4.19. Other service activities

Other service activities (as a residual category) section includes the activities of membership organizations, the repair of computers and personal and household goods and a variety of personal service activities not covered elsewhere in the classification (CBS, 2020). According to Fig-18, 30% economic activities related to this section are established in Bagmati province followed by province-1, Province-5 and province-2. The situation of Karnali province, sudur pashchim province and Gandaki province is back warded in this field. Bagmati province has 10 fold more establishment of this group of industries than Karnali province.

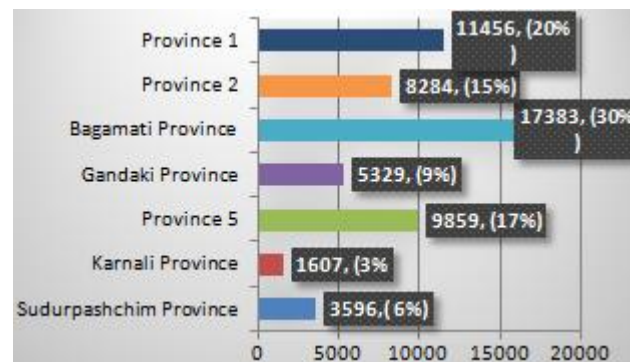


Figure 18: Number and percentage of establishments by province (other service activities industry) (Data source: NEC-2018).

4.20 Activities of households as employers; undifferentiated goods and services producing activities of households for own use.

It includes activities of households as employers of domestic personnel such as maids, cooks, waiters, valets, butlers, laundresses, gardeners, gatekeepers, stable-lads, chauffeurs, caretakers, governesses, babysitters, tutors, secretaries etc. This section also includes the undifferentiated subsistence goods-producing and services producing activities of households. Households should be classified here only if it is impossible to identify a primary activity for the subsistence activities of the household. If the household engages in market activities, it should be classified according to the primary market activity carried out. In NEC 2018, the activities under this section have not been covered (CBS, 2020)

4.21 Activities of extraterritorial organizations and bodies

Activities of international organizations such as the United Nations and the specialized agencies of the United Nations system, regional bodies' etc. It also includes activities of diplomatic and consular missions when being determined by the country of their location rather than by the country they represent. In NEC 2018, the activities under this section have not been covered (CBS, 2020)

4.22 Total economic activities

It indicates total number of establishment of economic activities recognized by NEC-2018. According to Fig-19, Bagmati province has highest establishment of economic activities i.e. 31% followed by province-1(18%), province-5 (16%), province-2(13%), Gandaki province(11%), Sudur Pashchim province(7%) and Karnali province(4%). In sum, the number of establishment of economic activities is very high in Bagmati province and very low in Karnali province, although both have equal power. The difference between first and second is about double and first and last is about 8 fold. It proves that there is a very zigzag situation of economic activities among seven provinces in Nepal.

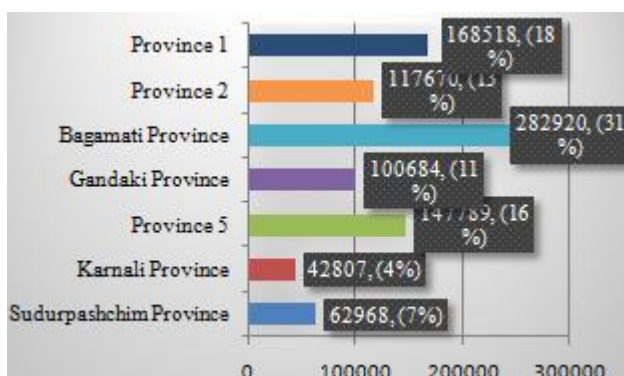


Figure 19: Number and percentage of establishments by province (Total economic activities) (Data source: NEC-2018).

4.23 Ranking of provinces in terms of establishment of economic activities

By analyzing 18 group of economic activities included in Nepal economic census-2018, Table-1 indicates that Bagmati province, province-1, province-5 and Gandaki province occupies first, second, third and fourth positions. Province-2, sudur pashchim province and Karnali province are in fifth, sixth and seventh position respectively. In this condition, the revenue is always low in last ranked provinces and remains destitute forever. To regulate this condition, Government should make special provision in licensing the economic activities according to priority of the province.

Table 1: Ranking of provinces in terms of establishment of economic activities

Provinces	Position	1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	Total
Province-1		-	15	1	1	1	-	-	18
Province-2		-	-	1	6	5	4	2	18
Bagmati Province		18	-	-	-	-	-	-	18
Gandaki province		-	1	5	6	6	-	-	18
Province-5		-	1	11	3	3	-	-	18
Karnali province		-	-	-	-	1	1	16	18
Sudurpashchim province		-	1	-	2	2	13	-	18
Total		18	18	18	18	18	18	18	18

Data Source: NEC- 2018

5. Conclusion

Federalism is a means but not ends of development and prosperity. Nepalese people believe that the federal system is the panacea of all problems. Economic dimension determines the status of a country or province. Inter-provincial and intra-provincial balance must be maintained for the sustainability of the federal system. Most of the economic activities of Nepal are concentrated in Bagmati province followed by province-1 and province-5. These provinces are in good condition since earlier compared with others. Karnali province, Sudur Pashchim province and province-2 covers back warded regions and required federalism in political-economy for their overall development. They are practicing federalism in the political sphere but very far from practicing it in the economic sphere. How to establish and operate economic activities in an equitable manner throughout all provinces is the prime concern of Nepal. Without the proper distribution of economic activities, federal system of Nepal becomes paralyzed.

Though the new constitution of Nepal, 2015 has officially established it as a federal democratic republic state, a number of issues need to be analyzed and remodeled for the successful implementation of the federal governing system. More specifically effective fiscal federalism and equal economic opportunities to all provinces is essential for successful operation of federalism. As per the spirit of the constitution and great aspiration of Nepalese people, broad based, sustainable, equitable and rapid economic development in all provinces has been the urgent need of this time. Economic prosperity of provinces may solve all other problems prevailing in our country.

There is no equal and justified distribution of economic resources, which causes unequal opportunities for development creating vast gaps among provinces. Only a few provinces have been benefited, majorities are being exploited. Even the distributive budgeting system of the federal government of Nepal has been unsuccessful in creating economic momentum in these provinces. Therefore, quick review and broad study of present economic situation in federal model is of great urgency.

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